# FINANCIAL TIMES

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**Dismal outlook for some less developed countries, Page 16**


## NEWS SUMMARY

### GENERAL

## Hope for talks on British pit strike

Talks between Britain's National Coal Board and miners' union over the 11-week pit strike looked likely to resume last night, as all sides moved sharply back from name-calling to conciliation.

A rift has opened up between board chairman Ian MacGregor and senior board officials over his handling of a meeting on Wednesday with the union, and miners' leader Arthur Scargill has reacted enthusiastically to a letter from deputy chairman James Cowan offering talks on the industry's future.

The dispute is costing the Government about £70m ($97m) a week, "unpleasant but manageable," a senior analyst said. Page 9

**Bombay toll rises**

Eight people died when security forces fired on Hindus and Moslems fighting in Bombay. It brought the death toll in a week of sectarian violence to 193.

**Salvadorans guilty**

A Salvadoran court found five national guardsmen guilty of murdering four U.S. church women in 1980.

**Killing applauded**

South African Supreme Court judge Irving Steyn cleared a white man of murdering a black who allegedly stole 83c (U.S. 81c) milk money outside his house, saying he deserved a medal for ending a spate of petty theft.

**Lille poll violence**

Several hundred youths throwing stones, bottles of acid and petrol bombs tried to storm a European Parliament election meeting in Lille addressed by ultra-rightwing National Front leader Jean-Marie Le Pen.

**Fundamentalist jailed**

Moroccan Moslem fundamentalist leader Abdessalem Yacine was jailed for two years for criticising official institutions.

**Envoys expelled**

Denmark expelled two diplomats who worked in the commercial section of the Soviet embassy in Copenhagen, for industrial espionage.

**Romania for Games**

Romania said it would attend the Los Angeles Olympics. Cuba, however, joined the Soviet boycott. The European Parliament deplored the boycott and backed proposals to hold the Games permanently in Greece.

**French rail strike**

French railway staff began a 48-hour strike over demands for shorter working hours, stopping 75 per cent of trains. In Norway, 15,000 civil servants began a pay strike, affecting trains, schools and postal services.

**Butter plan**

An EEC advisory committee proposed that the Community's 1m-tonne mountain of surplus butter be sold cheaply to its 12.5m unemployed.

**Tank sale charges**

West German police arrested two Germans, an Iranian and an American for trying to sell 250 U.S. M-480 tanks, apparently to Iran.

**Fast food**

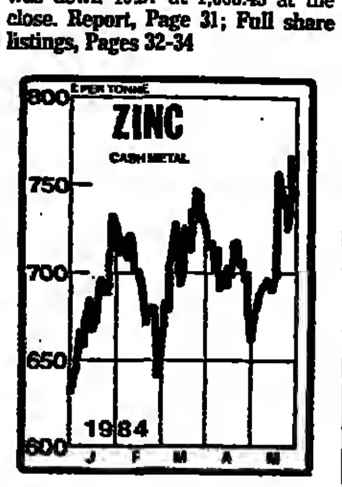
Taiwan police investigating a pigeon race in which 2,000 birds began and five finished suspect the rest were captured in huge nets and sold to restaurants.

### BUSINESS

## London index falls 21.2 to 826.4

LONDON: rumours of trouble at Manufacturers Hanover depressed financial market trading. Following gilts down, the FT Industrial Ordinary index fell 21.2 – its second-biggest one-day drop – to 826.4, for a three-day decline of 49.8. Details Page 18; Report, Page 35; FT share information service, Pages 36-37

WALL STREET: Dow Jones index was down 10.37 at 1,003.43 at the close. Report, Page 31; Full share listings, Pages 32-34




ZINC cash price surged £30 to a 10-year high of £767.5 a tonne in London as the squeeze on immediately available supplies tightened. Page 40

TOKYO: Nikkei Dow index jumped 228.26, its fourth highest one-day gain, to 10,251.72. The Stock Exchange index added 15.17 at 802.57. Report, Page 31; Leading prices, other exchanges, Page 34

DOLLAR weakened in London on rumours of problems at another big U.S. bank, although its trade-weighted index, calculated before the end of the day, rose 0.8 to 131.8. It was down at DM 2.7455 (DM 2.7505), SwFr 2.2675 (SwFr 2.271), Y231.45 (Y231.6) and FFr 8.4425 (FFr 8.4575). Its index closed at DM 2.7095, FFr 8.345, SwFr 2.245 and Y230.5. Page 41

STERLING rose 10 points in London to $1.3815, after touching a record low of $1.3735. It was weaker at DM 3.795 (DM 3.8), SwFr 3.135 (SwFr 3.1375) and FFr 11.66 (FFr 11.675) but unchanged at Y320. Its trade weighting held at 79.5. In New York it closed at $1.3837. Page 41

GOLD fell $0.75 in London to $377. In Frankfurt and Zurich it fell $3.25 to $375.5. In New York the Comex settlement for May was $378.50. Page 40

U.S. money supply, M1, rose $1.1bn in the latest reporting week.

HITACHI, Japanese electrical appliance maker, lifted net profit 12 per cent to Y83.4bn ($360m) for the year on sales up 13 per cent to Y2,648.2bn. Page 29

MITSUBISHI Heavy Industries of Japan raised unconsolidated net profit for the year by 109 per cent to Y206.9bn ($892m). Page 29

The editorial content of today's international edition has been restricted because of continuing industrial action by IG Druck und Papier at Frankfurter Societäts-Druckerei, where the edition is printed. This prevents the publication of late-breaking news, the final Wall Street report and closing U.S. over-the-counter and Canadian share prices.

The date on the Section IV survey – Office Property – is incorrect. The section was pre-printed for last Friday's International Edition, which was halted by industrial action by printers in West Germany.

We regret the New York stock price listing in this edition is incomplete due to a transmission failure.

# U.S. bank shares fall sharply as confidence wavers

BY WILLIAM HALL AND PAUL TAYLOR IN NEW YORK AND DAVID LASCELLES IN LONDON

**U.S. bank shares plunged in New York yesterday with the majority of the major money centre banks hitting 12-month share price lows as signs of a renewed crisis of confidence amongst investors emerged.**

The shares of Bank of America, Citicorp, Chase Manhattan, Manufacturers Hanover Trust, Bankers Trust and Crocker National hit new 12 month lows as Wall Street witnessed one of its sharpest sell-offs in bank stock since the international debt crisis surfaced in the Autumn of 1982.

U.S. share prices generally fell sharply yesterday with the Dow Jones industrial average dropping through the 1,100 level before recovering to close 10.37 points down at 1103.43 – its lowest level since February 1983.

In the money markets traders detected a further wave in the flight to quality which has been occurring since the run on the Continental Illinois Bank, the eighth biggest U.S. bank, two weeks ago. Three-month Treasury bill rates fell 35 basis points, while bank certificates of deposit rates rose 20 basis points.

Nervousness about U.S. banks affected international financial markets, too. Interest rates in the Euromarkets, where banks fund themselves rose by ¼ per cent, while bank share prices dipped sharply on the London Stock Exchange.

One senior Wall Street economist, Mr David Jones of Aubrey Langston, described events yesterday morning as a spillover from the run on Continental Illinois.

Bank shares opened two or more dollars lower in hectic trading on Wall Street following rumours, said to have originated in Europe, that one or more major U.S. banks were experiencing liquidity problems. The banks firmly denied this and said they knew of no reason for the sharp decline in their share prices Despite these reassuring statements, bank shares were still sharply lower at lunchtime Manufactures Hanover Trust, the fourth largest U.S. bank in terms of year-end assets, saw its share price plunge by $3.50 at one stage before recovering slightly to close at $27½ for a fall of $3½. The bank said it was "baving absolutely no difficulties in its funding."

Problems in Europe began early in the day with reports that a large U.S. East Coast bank was in trouble. These had crystallised round Manufacturers by the time Wall Street opened. Trading was especially nervous in the market for bank certificates of deposit, though traders said Manufacturers' paper bad traded at times during the day. The bank still forms part of "the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**London markets hit, Page 18; Stock markets Pages 31-34**


# Argentina seeking early agreement with IMF

BY JIMMY BURNS IN BUENOS AIRES

ARGENTINA expects to have a draft letter of intent to the International Monetary Fund (IMF) ready by the beginning of next month and hopes to reacb final agreement by June 15, Sr Leopoldo Portnoy, vice-president of the Central Bank, said this week.

"Our position is quite clear. We want an agreement with the fund as soon as possible, we bave no intention of breaking off negotiations which we consider to be proceeding normally," Sr Portnoy said.

Sr Portnoy's statement is the first made publicly by a senior Argentine official to the foreign media since last weekend's communique signed by the presidents of Brazil, Mexico, Argentina and Colombia warning that high international interest rates threatened the trend towards democracy in Latin America.

The move appears intended to dispell fears that the tough Latin American positioo oo the issue of U.S. interest rates could tempt Argentina into rejecting the IMF as a key element in the renegotiation of some $20bn of payments falling due this year.

Backing up Sr Portnoy's statement, Sr Bernardo Grinspun, Economy Minister, told parliament that an agreement with the IMF was the "most convenient" option for Argentina since breaking off negotiations would make it very difficult for Argentina to negotiate better terms with commercial banks, which would probably declare the country "substandard."

However, Sr Grinspun replied to tough questioning from the opposition Peronist party with a warning that Argentina would not accept any modification of the terms and targets of its letter of intent, whicb be confirmed was being prepared.

Both statements contrast with the views recently expressed privately by some officials at the Economy Ministry who bad been suggesting that negotiations with the IMF were close to breaking point because of its "inflexibility" and President Raul Alfonsin's determined refusal to accept excessive austerity.

Sr Portnoy confirmed that the Argentine Government expected the budget deficit to average out this year at about 10 per cent of GDP, two points above the original official forecast

IMF officials have been proposing that the deficit should be reduced to as low as 6 per cent of GDP. Sr Portnoy said, however, that be expected the IMF board of directors to accept Argentina's argument that "it's best to agree on targets that we realistically think we can stick to than to break our promises as in the past."

# Japan likely to raise interest rates in liberalisation package

BY MAX WILKINSON, ECONOMIC CORRESPONDENT, IN TOKYO

JAPAN'S EFFORTS to liberalise its financial markets are likely to raise domestic interest rates and could squeeze bank profits, a senior official of the country's central bank said yesterday.

Mr Takeshi Ohta, director of the Bank of Japan's foreign department, was discussing the measures which now appear to have been agreed with the U.S. Administration during talks which ended in Rome this week.

The package will be announced on May 29, in time for the London economic summit. However, Mr Ohta made it clear that the domestic need to allow interest rates to rise was at least as important as any pressure from the U.S.

This reflects the problem faced by the Japanese Government in refinancing a large "bulge" of maturing debt in 1986, in addition to its budget deficit.

At present the Japanese Ministry of Finance is able to fund its debt at below market rates by selling bonds to the Bank of Japan, whicb then offloads them on to the commercial banks. But this peculiarly Japanese system is not expected to survive the strain of large official demands for credit over the next few years.

Mr Ohta said Japan's other aim in acceding to U.S. requests is to improve the vigour and competitiveness of its own financial institutions, even at the cost of squeezing banks' profit margins in the short-term.

"We are going to be given an international ticket. Our goal is to make Tokyo like the City of London, so we need a completely liberalised onshore market" he added.

Mr Ohta said that Japanese capital was flowing at a gross rate of about $1bn per month into the U.S. much of it into U.S. Treasury bonds. This was a result of the high level of interest rates in the U.S. relative to those in Japan. A more liberal financial regime, with higher Japanese interest rates, would help to staunch the flow of capital across the Pacific, when Japan's Government funding needs became acute.

In spite of the fanfares with which the U.S. and Japanese Governments have heralded this package, Mr Ohta made it clear that the process of liberalisation is likely to be gradual, with initial focus on domestic interest rates.

He said the bank would be worried by any "excessive internationalisation" of the yen through expansion of the Euroyen market. This would make the yen more volatile and create difficulties in controlling the domestic money supply.

For this reason it is expected relaxation of restrictions will apply only to the issue of short term yen-denominated certificates of deposit in the Euromarket.

Japan appears to have turned down a U.S. demand that it should lift the 20 per cent withholding tax on Euroyen interest payments, but more flexible rules for conversion between yen bonds and those in other currencies could belp to reduce the burden of this tax.

The general aim of the measures will be to enable foreign banks to compete for wholesale funds and to allow the creation of a range of short-term instruments.


**Lex, Page 20; Pushing hard for new Gatt round, Page 6**


# Iranians attack tanker in Gulf

By Richard Johns in London

THE WAR on shipping in the Gulf flared again yesterday, after a week's lull, when Iranian aircraft hit the tanker Chemical Venture off the Saudi Arabian coast.

The attack on the 29,000 deadweight ton Liberian registered vessel was made yesterday afternoon (16.55 p. m. GMT) and was almost certainly in retaliation for an Iraqi attack against at least one vessel in the vicinity of Iranian ports.

The resumption of "tit-for-tat" hostilities against oil traffic in the Gulf came amid rising hopes that intensified diplomatic activity would halt the escalation of the 44-month-old Gulf conflict.

Earlier yesterday a military spokesman in Baghdad claimed Iraqi aircraft had hit "two large enemy targets." The announcement followed the pledge by President Saddam Hussein of Iraq on Wednesday "not (to) retreat from our plan to close the blockage on Kharg Island and strike any tanker within the prohibited zone."

The most likely target of Iraq's attack was the Arizona, a 140,000 dwt Panama-registered vessel which loaded a cargo of crude oil at Kharg Island, Iran's main oil export terminal, on Wednesday.

According to informed shipping brokers it narrowly missed being hit by a missile while south of Kharg Island. The Arizona is understood to be Greek-owned and chartered by Soponata of Portugal at World Scale 80 – about three times the rate available a fortnigbt ago. No other distress calls were reported.

Confirmation of the Iranian strike on the Chemical Venture was first given by Lloyds of London. Later the U.S. State Department also confirmed It, saying that Saudi Arabian figbters had scrambled to intercept the Iran F-4 Phantom but failed to make contact.

Saudi naval units were reported to have rescued the crew of the Chemical Venture, whicb is owned by Pearl Carriers of Monrovia. Three tugs operated by Smit International. The Dutch salvage company, left their Bahrain base to assist the stricken vessel.

Lloyds gave its position as 21 miles north-east of the Saudi port of Jubail, but later Smit said the ship was 37 miles east of the coast.

The flare-up yesterday dasbed hopes that the higb-level Syrian mission sent by President Hafez al Assad to Tehran might bring an end to Iranian attacks on Arab oil traffic in the Gulf.

# France calls for closer EEC links

BY JOHN WYLES IN STRASBOURG

PRESIDENT François Mitterrand yesterday issued a challenging summons to France's EEC partners to take part in a new effort to deepen political integration in Europe.

Launching an initiative which could well split the Community, the French president called for the addition of a new treaty to the Treaty of Rome which would extend the EEC's powers in to the areas of education, health, justice, security and struggle against terrorism.

He implied that the work should go ahead even if not all member states wanted to take part and that the same exercise sbould consider moving further in the direction of greater political union.

Delivered in the most significant speech given to the directly-elected European Parliament, M Mitterrand's call delighted large numbers of MEPs. Most unexpected was his apparent endorsement of the thinking behind the draft treaty on European union adopted by the parliament in February.

This draft, he said, with the "solemn declaration on European union" adopted by last June's Stuttgart summit should be the basis of preparatory discussions leading to a conference of "interested member states."

The parliament's treaty sought to strengthen and extend the Community's powers of common action and the parliament's own role in decision-making. The Stuttgart declaration was altogether mucb more vague because of disagreements between governments although it did seek to improve the framework of political co-operation and relations between the Council of Ministers and the parliament.

M Claude Cheysson, France's External Affairs Minister, said afterwards that France wanted preparations for a conference of governments to begin as soon as possible. The other five founding members of the EEC are bound to respond positively. Of the newer member states, the UK would want to take part, although it is dubious about more political integration. The participation of Ireland, Denmark and Greece would be much less certain.

The Mitterrand initiative is the first formal attempt to bring about the Community of "differing


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**Lombard, Page 17**


# Beatrice raises offer for Esmark

BY PAUL TAYLOR IN NEW YORK

ESMARK, the U.S. food and consumer foods group, yesterday received a revised takeover offer from Beatrice Foods.

The latest $60 a sbare bid, worth a total of at least $2.6bn, tops an earlier $56 a share offer by Beatrice for Esmark. The combined company would rank among the giants of the world food and consumer products industry, with annual sales of over $13bn.

Esmark also revealed a sharp rise in second quarter earnings, from $27.2m a year ago to $55.1m, boosting the first half total from $41.9m to $98.1m.

Earnings per share were $2.25 against $1.33 for the six months and $1.26 against 87 cents for the second quarter.

Half-year sales jumped from $1.39bn to $2.59bn, with the latest three months generating $1.36bn against $713.9m.

For the full year ended October 1983, Esmark turned in record profits of $117m or $3.66 a share on revenues of $4.04bn.

Both of Beatrice's offers top an earlier accepted $55 a share bid worth a total of $2.29bn by Kohlberg, Kravis, Roberts (KKR), the New York investment group, which bad proposed a leveraged buyout of the company by a group of investors including Esmark's senior management. The KKR offer bad been widely expected to trigger other bids.

Under the terms of Beatrice's latest offer, it is understood that the company agrees to sweeten the bid in return for an option to purchase Esmark's Swift-Hunt-Wesson food operations and the right to buy 7.8m unissued Esmark shares at $56 a share.

Both measures are seen as an attempt by the two companies to lock out other bids. The sales of the Swift-Hunt-Wesson food operations,


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CONTENTS

# Talks open in bid to end W. German strikes

BY RUPERT CORNWELL IN BONN

MANAGEMENT AND union representatives last night began crucial new talks in Stuttgart on the outcome of which hinge hopes of an early end to the engineering industry strikes in the region.

At the same time, however, employers in the state of Hesse, the second area so far affected by strikes, announced plans to lock out 30,000 workers from next Wednesday.

This is in retaliation for the stoppages involving 33,000 workers since the start of this week, called by IG Metall, the engineering union, in support of its claim for a 35-hour working week.

Technically, the Stuttgart meeting only concerns the North Baden-Wuerttemberg region, where 25,000 men are on strike and a further 65,000 locked out. In fact, however, an agreement there would almost certainly set the pattern for the entire country.

The discussions will be tough, and could last several days. Herr Hans Peter Stihl, the employers' chief negotiator, declared last night that, if they did not succeed, then the dispute would escalate dangerously.

Although he again ruled out a generalised five-hour cut in the working week, Herr Stihl was careful to leave the door open for a compromise. "Flexible solutions for shorter working hours are by no means inconceivable," he said before the talks began.

A separate appeal for a "fair compromise" has come from Herr Gerhard Stoltenberg, the Finance Minister.

In an interview with the mass circulation Bild Zeitung, Herr Stoltenberg warned that the two-week-old strike wave had already prompted some companies to delay investment programmes. A sharp rise in unemployment caused by a long strike might also lead to cuts elsewhere in government spending, he said.

**James Buchan meets the Bonn Labour minister in the eye of the storm**

# Bluem sees no extra jobs in cutting hours

FOR 35 YEARS, Herr Norbert Bluem, a fitter, has paid his dues to IG Metall, the West German engineering union, and would be in line for top strike pay if he were out with his 58,000 colleagues for a shorter working week.

He is not, partly because he is Labour Minister in Chancellor Helmut Kohl's government, and partly because he does not think a cut in the basic working week from 40 to 35 hours would dent unemployment of 2.2m.

A straight five-hour cut would drive many companies out of business, he says, while a step-by-step aproach, as IG Metall seems to want, would not work because each hour cut would be rationalised away without new employment.

Herr Bluem, long suspect even in his own Christian Democrat Party (CDU) as a left-winger, is now full in the sights of IG Metall. At a May Day demonstration he was booed and whistled, and this Monday he will be the object of a mass march on Bonn, as IG Metall attempts to divert the resentments of the quarter-million men laid off as a result of the strike on to the Government.

The Labour Minister is the shortest member of the Kohl Cabinet and the hardest to define: put him in a box and he would jump out of it. Five foot four and 48 years old, he began his career at Opel (on strike since Monday), took night classes and ended up a doctor of philosophy.

In Ankara last summer, he nonplussed his Turkish hosts by telling them how he had fitted the opera-house chandeliers.

## Hamming it up

Herr Bluem is a bit of a card. He hams it up a little, appearing with sticking-plaster on his ears at receptions or larding his sentences with verbs not found in the standard dictionaries. But, as chairman of the CDU workingmen's organisation, the Social Committees, he helped carry the Ruhr for Herr Kohl at last year's general election.

Since then, ho has been bursting with ideas. Some, like his appeal for a pay freeze last year, fell flat. But his plan to teckle unemployment by providing public funds to help industry take on young workers to replece people retiring at 58 has gained ground among the unions as an alternative to the 35-hour week.

"I am not the sort of bloke who can learn to live with structural unemployment of 1m," he says.

In the engineering industry strike, Herr Bluem sees himself caught between two "fossilised" institutions. Employers have not budged from a 40-hour basic week in pay settlements since 1975, above all because of the pressure of the smaller concerns. "They are not very clever if they are seeking to destroy the trade unions," Herr Bluem says.

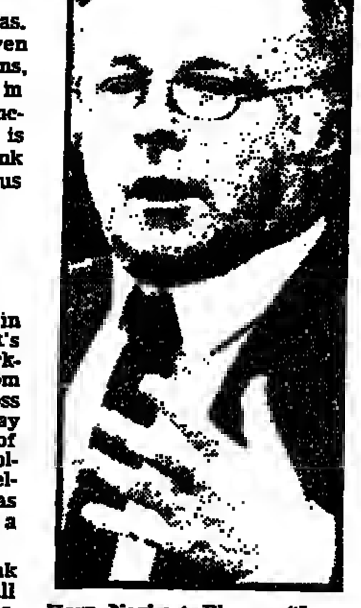
On the other side, he sees IG Metall stuck with a view of the working world which is being rapidly overtaken by an industrial revolution.

"They must move away from their 19th century ideas. Assembly-line work has given them almost military notions, the entire workforce moving in step. Solidarity is an instinctive virtue, but industry is changing and they must think in terms of solidarity plus differentiated solutions.

## Lost income

However, IG Metall is also in a dilemma. The government's spending cuts have hit the working man, while the union's 2.6m members have seen a real loss in income in three years of pay settlements. The hostility of some of Herr Bluem's colleagues, including the Chancellor, to the 35-hour week has encouraged the union to take a more political line.

Many in Government think there is quite a lot of steam still to be vented on both sides, although Herr Bluem is optimistic. "I think it will be solved this week or next," he says.



Herr Norbert Bluem: "I am not the sort of bloke who can learn to live with structural unemployment of 1m"

# Fresh twist to debate on tax evasion

By Our Bonn Staff

CHANCELLOR Helmut Kohl's coalition government wants tighter regulations against contempt of court to prevent prejudging of suspects—or at least of the 23 of its party politicians being investigated for encouraging tax evasion.

The proposal, aired before Parliament yesterday and accompanied by heart-warming appeals to the fairness of "anglo-saxon" practice, marked a clever counter-attack in yesterday's highly embarrassing debate over the coalition's failed attempt to bring in an amnesty for tax evasion by donors to political parties.

Nonetheless, the coalition yesterday came under fierce pressure from two experienced opposition lawyers, Herr Hans-Jochen Vogel, Social Democrat (SPD) floor leader, and Herr Otto Schily of the Greens, over the amnesty plan which was hatched in secret only to collapse when the junior coalition partner, the Free Democrats (FDP) had second thoughts.

While the air turned blue with constitutional niceties, Herr Vogel accused the Chancellor of suspending the precept of equality by seeking to pardon big business (and his party treasurers) at the expense of the common man.

The high point of the debate was, as so often, the speech of Herr Hans-Dietrich Genscher, FDP chairman and Foreign Minister, who defended with equal passion and sincerity two directly opposing positions. Fresh back from quarrelling with Mr Andrei Gromyko in Moscow, Herr Genscher had no difficulty defending his own support for the amnesty and his party's new hostility to it.

# EEC hints at anti-trust agreement with U.S.

BY OUR BRUSSELS STAFF

THE EUROPEAN Community has signalled to the U.S. that it would be interested in exploring the chances of reaching a bilateral agreement to avoid friction on anti-trust matters.

The signal came yesterday in a speech by Mr Frans Andriessen, the Commissioner in charge of competion policy, delivered in Dublin.

If the formal channel through the Organisation for Economic Co-operation and Development is insufficient, "it could of course be enlarged by bilateral conventions to be negotiated by the Commission on behalf of the Council of Ministers," he said.

This is the first time the possibility has been raised since tentative discussions in the mid-1970s broke down.

The main cause of friction in the past, seen through European eyes, has been the attempt by the U.S. in the anti-trust matters to extend its jurisdiction outside American borders. Dispute reach a dangerous level in the early and mid-1970s over legal actions in the U.S. on issues such as an international uranium cartel and transatlantic shipping.

Latterly, U.S. attempts to extend its jurisdiction have caused friction over the use of trade controls for foreign policy reasons and the anti-trust issue has taken a back seat.

Mr Andriessen's remarks suggest that the European Commission will explore the possibility of seeking a negotiating mandate from the Council of Ministers.

# Wave of anti-Craxi protest strikes hits northern Italy

BY ALAN FRIEDMAN IN MILAN

NORTHERN ITALY was hit yesterday by a wave of strikes, some of them inspired by the CGIL Communist labour union to protest at the passage on Wednesday of the Craxi Government's decree cutting the scala mobile wage indexation system.

Industrial activity in Turin, the home of Fiat, was crippled for much of the day, as CGIL ordered an anti-Craxi protest strike. Some sectors, such as the textile industry, were hit hard but less than a third of Fiat workers took part in the stoppage.

In Milan, a wage dispute disrupted air traffic at the city's two airports, Linate and Malpensa. Many flights were cancelled and a number of arrivals from the U.S. were redirected to Rome. In Genoa, where the Italian Government's intended steel closures are expected to result in large scale redundancies, workers at the state-controlled Italsider plant blocked train and car traffic. Train traffic in Rome today is expected to be paralysed by a 24-hour strike related to a pay dispute.

● The Italian Senate has voted to approve a new bilateral extradition treaty with the U.S. which could clear the way for the arrival in Italy later this year of Sig Michele Sindona, the Sicilian financier, now serving a 25-year prison sentence in New York for fraud and conspiracy in the collapse of the Franklin National Bank.

Sig Sindona is wanted in Italy on charges relating to the 1974 collapse of his Banca Privata Italiana. The U.S. Senate has not yet approved the extradition treaty, but it is expected to do so next month.

# Innovation urged in reducing capital needs

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT, IN GENEVA

FINANCIAL TIMES WORLD MOTOR INDUSTRY CONFERENCE

THE MOTOR industry must be as innovative in its approach to reducing its need for capital as it has been in the recent past in cutting its production costs, says Sig Vittorio Ghidella, managing director of Fiat Auto.

He was addressing the fifth Financial Times World Motor Industry Conference at which it was pointed out by another speaker that the European car producers are only halfway through an $80bn investment programme for the 1980s and were wondering where the rest of the cash was to come from.

Sig Ghidella said the industry could enhance its self-financing capability by improving profit margins and by intensifying the improvements in efficiency started in the past few years—such as product standardisation and production rationalisation.

But the industry could do much to streamline the links between suppliers, producers and the distribution networks. Much closer relationships at all stages of the chain could cut stocks and reduce the requirement for working capital throughout the system from component suppliers.

The car producers would have to play the leading role in this process and act as a catalyst, said Sig Ghidella.

As an example of what already had been done, he pointed to Fiat's method of designing cars so they could be put together from a number of pre-assembled and interchangeable sub-units. This not only allowed for economies of scale but required more from the component industry, which "will gradually grow into an increasingly complex supply pyramid."

At the other end of the chain, he suggested that more should be done to turn sales of products apart from cars to dealers into immediate cash for the manufacturers through the use of outside financial organisations.

Another method by which the industry could cut costs was suggested by a team from Booz-Allen and Hamilton, the consultancy group. They argued that increased competition in a period of reduced demand had encouraged car-makers during the 1968-1982 period to add more and more models, thus increasing the complexity of the ranges offered.

Booz-Allen had developed a method of measuring the cost of complexity—a cost which turned out to be nearly all the $2,100 increase in the real cost of an average U.S. car since 1968.

The relative lack of complexity of Japanese cars compared with U.S. ones accounted for $800 of the $1,500 cost advantage enjoyed in the U.S. by Japanese vehicles.

Other work by Booz-Allen showed that most buyers were willing to accept less choice in the features or options offered by a car and that dealers arranged their vehicle stocking practices accordingly.

It was pointed out, however, that each individual car-maker would have to make its own decision about what was the right balance between product variety and production simplicity.

Mr John Day, president, Bendix Group Allied Automotive, said his company estimated that about 20 per cent of its 220,000 active part numbers are redundant and resulted from unnecessary product complexity. That seemed to suggest that Bendix was incurring excess costs of roughly $44m.

Much of the saving from a reduction in complexity in the components industry would be passed on to the manufacturers and customers, said Mr Day.

Mr Day said an informal organisation of 66 leading companies called Automotive Industry Action Group had developed guidelines for reducing complexity, which should cut the price of a U.S. car by $500 in the next 5-10 years.

Mr Francois Perrin-Pelletier, a member of the Peugeot Directoire, pointed out that car makers were often forced by legislation to introduce further complexity to their vehicles. For example, if the European Commission forced manufacturers to fit catalytic converters to cars so that unleaded fuel could be used the cost would be an estimated $12bn.

"Couldn't we do something more useful with that $12bn towards cutting environmental pollution? It is not yet proven that cars are responsible for acid rain."

Mr Walter Frey, president of Emil Frey Group, made a plea, as one of Europe's leading distributors, for manufacturers not to go too far. "I know that complexity is anathema to people who build the cars, but those who cannot show flexibility in this area will find themselves edged out of business by those who can."

"I foresee the need for a greater understanding at manufacturer level for local market-orientated strategies in the area of pricing, advertising sales promotion, after-sales activities, and model availability. It is not realistic, to impose a common denominator in these areas on a Europe-wide, let alone world-wide, basis," he said.

Mr Frey also warned those manufacturers engaged in joint ventures to share development costs that "the proliferation of international co-operative ventures, while having many positive aspects from a model development point of view, also raises a number of doubts about the future product strategy for the distributor. He often asks himself which models he would be allowed to sell in a few years time, or whether his rival distributor will be selling the same model but under a different name?

Mr Graham Bannock, adviser to the Economist Group, suggested that the European industry is on the verge of a short period of relative profitability but that a cyclical recession in 1987 is threatening. Companies should avoid cutting investment unless this could be done by shifting the burden to component suppliers.

The European industry's cash needs were so great that some increase in borrowing seemed inevitable and there was the risk of some casualties. Pressures of public expenditure would probably not inhibit further assistance by governments, however.

Mr Philip Fricke, vice-president, Investment Research Department, Goldman Sachs, presented a much more optimistic view of the U.S. industry's short-term prospects. The recovery in U.S. car sales had only just begun, he argued. The car market was likely to reach 11.4m at the peak in 1985, compared to 6.1m last year.

The only reason the market would go no higher would be that the U.S. producers had cut capacity, from about 9.3m to around 8.2m a year, and would not be able to supply demand.

Mr Fricke also pointed out that, with lower overhead burden and higher variable profits per unit, each company had increased its potential to make a profit at low production levels. "As we have seen, each can make staggering profits when volume goes up just a little."

Dr Wolfgang Sauer, president Volkswagen do Brasil, reported that, in its drive to cut oil imports, Brazil now had more than 1m alcohol-powered vehicles on the road. About 10m petrol- and diesel-powered vehicles used a mixture containing 20 per cent alcohol. More than 80 per cent of cars leaving Brazilian assembly lines were alcohol-fueled.

# French company to update study for Channel bridge

BY PAUL BETTS IN PARIS

BOUYGUES, the leading French private construction and civil engineering group, has started work on a feasibility study to build a 35 kilometre long road and rail bridge across the Channel.

The study involving the update of an earlier project by Bouygues to construct a Channel bridge is due to be completed by September, M. Pierre Richard, the French company's research director, said yesterday.

M. Richard and other senior Bouygues officials said that the report by five British and French banks into the feasibility of financing a cross Channel project had encouraged them to go ahead with the update of Bouygues original bridge plan.

Bouygues put forward on its own initiative a plan to build a cable-stayed bridge across the Channel two years ago, but the original plan involved only a road bridge.

M Richard said Bouygues first bridge project involved an estimated cost of FFr 35bn (£3bn) two years ago. "The same project would probably cost about FFr 40bn today and adding the rail link would bring the total cost to between FFr 45bn to FFr 48bn," he explained.

Bouygues is so far the only major construction company to have decided to work independently on its own cross-Channel project.

Although the bankers report argues that government financial guarantees would be required to finance a cross-Channel scheme, Bouygues says "the problem is essentially political."







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## EUROPEAN NEWS

# Swiss concerned at 'support' for inflows of fugitive capital

BY JOHN WICKS IN ZURICH

THE SWISS National Bank feels that more could be done to prevent banks from "actively supporting" the influx of fugitive capital from abroad. At the same time, the bank has expressed its concern at the lack of sufficient controls over certain sectors of the domestic financial market.

Speaking in Zurich yesterday, Dr Markus Lusser, bank director, said that an existing agreement with the Swiss bankers' association had worked very well in improving the identification of clients' funds.

However, be said the National Bank was "rather more sceptical" over the effectiveness of the agreement in stopping the aiding and abetting of capital flight into Switzerland. It was difficult to determine where this bad taken place.

The agreement, which was first drawn up in 1977 and renewed in a rather more restrictive version five years later, will run out in 1987.

The National Bank does not intend to take part in a further extension since it hopes that the question can be covered in the revised Banking Act. It would like to see the banks voluntarily create a professional code which would deal with the problem.

At the same time, the bank has called on the Ministry of Finance to look into possible steps to be taken in the field of investor protection on the private-placements market; control of any future options market and registration of foreign-exchange dealers.

With regard to private placements – the issue of medium-term Swiss Franc notes – Dr Lusser repeated a recent claim by Dr Fritz Leutwiler, chairman of the National Bank, that investors were given insufficient information by the issuing banks.

"At least e rudimentary prospectus is necessary," Dr Lusser said. He suggested that the notes could at some later date be listed on stock exchanges. This would make them subject to the same prospectus regulations as public issues.

In the case of "financial innovations", such as any future options market, he pointed to strict controls in the U.S. and the UK. While the National Bank did not want to play the role of a controller in Switzerland, he said this might prove a job for an expanded banking commission of possibly an entirely new authority.

Mentioning recent scandals involving foreign-exchange dealers, Dr Lusser said it would be sensible to license professional dealers. He also called for "as much transparency as possible" in the foreign-exchange market.

This package of demands is likely to come as something of a shock to the Swiss financial community, which is only just recovering from the battle against the Social Democrats' move to reform the country'a bank secrecy laws which was rejected in a national referendum last week.

# DKr 1bn Danish trade deficit

BY OUR COPENHAGEN CORRESPONDENT

DENMARK RECORDED a provisional trade deficit of DKr 1.07bn ($107m) in April, compared with a DKr 571m deficit in March and a DKr 204m deficit in April 1983, the Danish state statistical bureau announced.

The April figures give a provisional trade deficit of DKr 3.13bn for the first four months of 1984 against a surplus of DKr 306m for the same period last year.

April imports fell to a provisional DKr 13.14bn from a revised DKr 15.2bn in March, while exports fell to DKr 12.07bn from a revised DKr 14.6bn, the bureau said.

Economists attributed the widening trade deficit to Denmark's current economic revival, which is leading firms to import more industrial plant, and invest in improved means of production before re-exporting goods or increasing their industrial output and exports.

The country's domestic consumption is another factor behind the increased imports, giving analysts more cause for alarm.

Danish consumer prices rose 0.3 per cent in April after a 0.4 per cent rise in March, an annual rise of 6.8 per cent.

# New Polish unions voice discontent on economy

By Christopher Bobinski in Warsaw

A DEEP rift is developing over rising prices and low living standards between the Polish Government and representatives of the country's new trade unions.

These unions, which claim some 4m members, were established in 1982 after the Solidarity movement was outlawed. They are still viewed with considerable suspicion by workers and outright hostility by the Solidarity underground.

However, published reports of their meeting with the Government this week show considerable differences. Union leaders, who are aware of workers' discontent at the 12 per cent inflation rate over the first four months this year, are anxious to win some credibility with the shop-floor.

Mr Mieczyslaw Rakowski, a Deputy Premier, told the meeting that the unionists must limit their demands, however justified, in view of the general state of the country. He asked them to work with the Government and "not create antagonistic contradictions."

He was responding to Mr Romuald Sosnowski, a unionist, who said: "We want our views to the basic source of information for the decision-makers and, should the need arise, we want to be able to correct decisions which the people feel are not bringing the desired effects."

The unions are also demanding greater powers, more consultation on price rises and are criticising the Government's attempts to curb wages growth which have risen above planned targets in the first quarter.

A union statement issued later notes "a growing lack of coherence between declared economic policies and their practical realisation." It points to the failure to curb inefficiency throughout the economy as a source of many problems.

● Pope John Paul has asked President Ronald Reagan for an immediate unconditional lifting of Western economic sanctions against Poland and an end to the bar on Polish membership of the IMF.

## OVERSEAS NEWS

# Crocker leaves to South Africa for more Namibia talks

WASHINGTON — Mr Chester Crocker, U.S. Assistant Secretary of State for Africa, left for southern Africa yesterday following talks on the region with Sr Javier Perez de Cuellar, UN Secretary General.

The State Department said Mr Crocker would travel to South Africa and then Zambia for talks with officiala on southern African developments.

Mr Crocker met the UN Secretary General in New York yesterday, the department said. He is expected to be away for about a week.

Mr Crocker is the main negotiator for the U.S. in protracted efforts to echieve independence for Namibia (South West Africa), which South Africa rules in defiance of the UN.

The talks are in a delicate pbase following failure by principal parties involved in the dispute to agree in Zambia 10 days ago on implementation of a ceasefire in the Namibian guerrilla wer and on an independence settlement.

The all-party conference, billed as en opportunity to break the Namibian impasse, was attended by South Africa, tbe South West Africa People'a Organisation (Swapo), which is fighting South African forces in the territory, and representatives of six of Namibia's internal parties.

U.S. officials insist the meeting was not a failure. They see aome auccess in the fact the rivals met and bad not closed the door to further talks. The officials also express satisfaction over e withdrawal of South African forces into Namibia from neighbouring Angola.

Mr Pik Botha, South African Foreign Minister, met Angolan officials in the Zambian capital, Lusaka, two days ago and said afterwards tbe pull-out may be completed in days.

Mr Crocker last visited Lusaka in mid-February for high-level aecret talks with South Africa and Angola on the withdrawal from Angola and efforts to arrange a cease6re in the 17-year-old Namibian conflict.

Previous attempts to negotiate a Namibian settlement were blocked by South African and U.S. demands that an estimated 25,000 Cuban troops leave Angola if South Africa were to quit Namibia.

Independent analysts in Washington see little cbance of peace efforts succeeding this time unless tha Angolans or South Africans give some ground on the Cuban issue. Reuter

# Bitter rivalry in Malaysian ruling party elections

BY WONG SULONG IN KUALA LUMPUR

MALAYSIA'S ruling party, the United Malays National Organisation, bolds its trienniel elections bere today in wbat bas been the most intense and corrupt campaign in the party's history.

The 1,280 delegates from the party's 114 divisions will elect 24 members to the supreme council, which is effectively the country's top decision-making body, including the crucial post of deputy president.

Umno has ruled Malaysia for the past 27 years and, following tradition, Dr Mahathir, the Prime Minister, bas been returned unopposed as party president for another three year term.

However, his deputy, Datuk Musa Hitam, faces a tough cballenge in a three-corner figbt against Tengku Razaleigh, the Finance Minister.

In 1981, Musa secured 722 votes to defeat Razaleigb by 205 votes for the party deputy presidency, and went on to be deputy prime minister. Musa is 50 and Razaleigb is 48. Most Umno members would want to see their long and bitter rivalry settled during this round. . . .

Observers say Musa should win again, although the margin of victory could be considerably reduced. A second defeat for Razaleigh would most likely result in him losing the finance portfolio as well.

As an indication of the high stakes, the campaign for the Umno supreme council seats has been feverish over the past month, marked by a profusion of poison pen letters

Foreign investment; Editorial comment, Page 16

Charles Richards reports on the first honest poll for 60 years

# Election itself the issue in Egypt

CAMPAIGNING for Egypt's parliamentary elections on Sunday has focussed on one issue: the elections themselves. The public has faith in President Hosni Mubarak's declaration that these elections will be the first sincere and honest ones for 60 years, and interest has been aroused in the challenge posed to the Government by the revived New Wafd Party.

The four opposition parties originally threatened to boycott the elections not because of breaches in electoral rules—Mr Mubarak's Interior Minister Hassan Abu Basha has been strict in guarding against ballot rigging—but over the rules themselves, which they said were weighted in favour of the ruling National Democratic Party (NDP).

The new electoral law was passed by a people's assembly overwhelmingly dominated by the ruling party in one of its last acts. Under the complex system, a modified version of proportional representation, independent candidates are excluded and parties must obtain 8 per cent of the national vote to win seats.

Other peculiarly Egyptian refinements include rules about fractional percentages of the vote, seats for women and the ratio of peasants and workers. In most countries with proportional representation, fractions are rounded up to the nearest whole number. In Egypt they are rounded down and the amount left over goes to the majority party.

For example, if 10 seats are being contested in an electoral district, one party obtains 39 per cent of the vote and the other 61 per cent, the 9 per cent and 1 per cent are added together and given to the majority party, which would win seven seats to the minority party's three.

Of the 48 electoral districts, 31 have seats reserved for women, automatically going to the majority party. In addition to the 448 seats up for election, 10 seats are in the gift of the President (traditionally, minority Coptic Christians are co-opted). The refinements should give the ruling party an estimated 80 seats extra; as one Opposition figure said: "It's like a card game: winner takes all."

The result is beyond doubt: The ruling party will win overwhelmingly. The New Wafd Party is expected to obtain between 15 and 30 per cent of the vote. Traditionally its main electoral strength has been in the Eastern delta provinces of Sharqiya, Kafr El Sheikh and Beheira, and Port Said.

Neither the Liberals nor Mr Ibrahim Shukri's Socialist Labour Party have the resources or support to gain the required 8 per cent of the vote to win a seat. But the Left-wing Nationalist Unionist Progressive Party (NUPP), assured of support in industrial centres and Benha, home town of its leader Mr Khaled Mohieddin, may obtain 8 per cent if the turnout is low. Thirteen million voters are registered.

The effects of the elections could be far reaching, however. Egypt will be able to point out (especially to the U.S. which provides it with large amounts of aid) that Israel is no longer the only democracy in the Middle East.

Internally the elections should provide an outlet for political expression and thus win the middle ground from Islamic militants and restore public confidence in the political system. Ministers will once more be accountable to a parliament containing, say, 60 vocal opposition members.

Hopes have been raised that Mr Mubarak, whose office is not up for election, will reshuffle the Government. But the fact that the opposition is gunning for the colourless but hard-working Prime Minister, Dr Fuad Mohieddin, provides a good reason for Mr Mubarak to keep him on.

It is not Mr Mubarak's style to change for change's sake. Some new Government faces are likely, but greater developments are expected in the structure of the party itself, the importance of which has been increased by the electoral system.

Egyptian Prime Minister Fuad Mohieddin (left) chats with two NDP party candidates in front of a portrait of President Hosni Mubarak

# Gulf attacks put Arab states on defensive at UN

BY KATHY EVANS IN DUBAI

AT THE request of the six Gulf states, the United Nations Security Council is to meet today to discuss last week's attacks by Iran on three Arab tankers. The Arabs will be asking the international community to condemn Iranian aggression, but to ignore the Iraqi attacks which provoked it.

The emergency session called for by the Gulf Co-operation Council following last weekend's Arab League meeting poses a dilemma not only for the UN, which has made somewhat feeble efforts as a peacemaker in the region, but ironically, for the Gulf Arabs as well.

The Gulf Arabs have two ways of approaching the debate. They could, as the Arab League decision urged, seek the outright condemnation of Iran's attacks. Such a move would satisfy public opinion at home and give expression to the outrage the Gulf Arabs feel about the Iranian raids. But there are a number of arguments against such an approach.

First, it would cause difficulties and embarrassment for the Security Council members who want to maintain the vestiges of neutrality in the Gulf war. Secondly, as the Americans advise, it might strengthen Iran's resolve to retaliate for the blockade of Kharg Island. Moreover, such a resolution would be simply ignored by Iran, which has always viewed the UN Security Council as a pro-Iraqi plaything of the superpowers. This image of the Council is even portrayed on Iranian postage stamps.

Saudi Arabia and its allies may this time seek a more even-handed resolution, similar to last October's UN resolution 540 which called for an end of the war and upheld the principle of freedom of navigation.

Having come round earlier this year to backing an Iraqi escalation of the war through the use of the French-supplied Super Etendards jets, there are now clear signs that they are having misgivings. But the GCC members, individually and collectively, appear incapable of even making representations to Iraq discreetly through diplomatic channels.

There are a number of reasons why they may look for a more palatable resolution from the Council. Not the least, there has been a subtle change over the last week of attitude from Iran's two major allies in the Arab world, Syria and Libya. Mr Abdul Aziz al Tureiki, the Libyan Foreign Minister, has promised to try to do whatever is necessary to prevent the spread of the war, and promote good neighbourly relations between the Islamic republic and the Gulf states. Even more significantly, Syria has taken up the cause.

At Saudi persuasion, Syria's President Hafez al Assad despatched on Wednesday to Tehran his two highest-ranking lieutenants—Mr Abdul Halim Khaddam, the Vice-President, and Mr Farouk al Shara, the Foreign Minister, who apparently carried a message outlining Saudi Arabia's view of the crisis. The Gulf Arabs will not want to jeopardise this line of communication in any way, particularly just for diplomatic exercises in the UN.

With Iranian acceptance of any resolution highly unlikely, anyway, a more appeasing resolution could allow the Syrian channel to remain open and even to ease the tension. A line of communication to Tehran nurtured by the Syrians could stand a much better chance of progress than any previous efforts by international or Islamic organisations.

Syria, however, has its own particular problems with the Islamic republic. They have diametrically opposed aims in Lebanon, and their policy differences are now becoming apparent. Syria wants to piece Lebanon together again along lines convenient for Damascus.

Iran, in contrast, has bold ambitions to establish an Islamic-style republic in the country, under its influence. The differences were highlighted this week by an outbreak of fighting between Syrian and Iranian-backed militias in Northern Lebanon.

Baghdad is clearly in a position to scuttle everything. A few more attacks on ships heading for Kharg Island, like the ones they claimed to have carried out yesterday, and yet again, the Gulf will be placed in direct confrontation with Tehran. This time, there appears to be clear guidelines of response given to the air forces of Saudi Arabia and Kuwait. If there is a response then retaliation by Iran, however ineffective, could still bring the region to the brink of foreign intervention and the cataclysm it is so anxious to avoid.

Hence the question in many diplomats' minds about the real extent of support the GCC is prepared to give to Iraq's continued attacks on Iran's oil terminal. Its members would now probably much prefer attention to shift back to the battle front on the ground.



# Likud bloc closes ranks as liberals decide to remain

BY OUR TEL AVIV CORRESPONDENT

ISRAEL'S RULING Likud bloc is beginning to close ranks after weeks of feuding and trying to create a right wing front before the General Election on July 23.

The Liberal Party, riddled with long-standing personality disputes, has finally announced it will remain in the bloc, which was set up with former Prime Minister Menahem Begin's far larger Herut party in the 1970s.

For the past few weeks, the Liberals, whose fast-eroding support is principally drawn from businessmen, has been in turmoil. Apart from personal differences, party leaders have been arguing whether to continue in the Likud bloc or stand on their own and try to establish a fresh image.

The argument started after Herut moved to cut the number of safe Liberal places on the joint Likud list of election candidates.

Ignoring the advice of Energy Minister Mr Yitzhak Modai, its chairman, the party's central committee has decided to play safe and stick with Likud rather than risk a rout on their own.

Herut is expected to press hard to cut the present, clearly generous allocation of six Liberal Cabinet posts.

Although relations between the two parties still appear shaky, the Liberals' decision has allayed right wing fears that Likud's demise would result in an election victory for the Labour party.

Labour, which in recent years has been seriously divided, has managed to maintain a comparatively united front in the pre-election campaign politicking. The party, at present comfortably ahead in opinion polls, has managed to settle its list of candidates without any of the public acrimony that has dogged the right wing.

# Afghan cities in state of famine says report

BY ALAIN CASS

PARTS OF war-torn Afghanistan are on the verge of famine according to an independent report prepared by a senior researcher at London's School of Hygiene and Tropical Medicine.

The report, published yesterday, also suggests that certain strategic provinces in the country where fighting between Soviet-backed Government troops and rebels is fiercest, are reverting to subsistence level.

Dr Frances D'Souza, who prepared the report for the London-based Afghan Aid Committee, also suggests that conditions in Afghanistan's cities, especially for the poor, have deteriorated as hundreds of thousands of refugees from four years of war have poured in from the countryside.

Big cities such as Kabul, the capital, are likely to have been further inundated by refugees as the present major offensive by Soviet troops in the Panshjir Valley gathers intensity.

The two provinces where evidence of malnutrition is greatest, according to Dr D'Souza, are Badakshan, near the Chinese and Soviet borders, and Parwan.

Dr D'Souza's research, primarily among the estimated 2m Afghan refugees in Pakistan, also reveals sharp food price rises in some provinces.

# Chernenko calls for reunification of Korea

MOSCOW — President Konstantin Chernenko spoke out for Korean reunification "without any outside interference" during talks with Kim Il-Sung, North Korean leader.

The Soviet news agency Tass said that during the talks, which took place on the second day of Kim's visit to Moscow, "special attention was given . . . to the situation in the Korean peninsula, which remains unsettled and tense due to the continuing presence of American troops in South Korea."

The Kremlin has yet to make clear what kind of talks it would favour between Seoul and Pyongyang or how reunification of north and south could be achieved.

Kim has called for tripartite talks with Washington and Seoul on reunification, while the U.S. has said it would prefer negotiations involving itself, the two Koreas and China. Peking backs Kim's call.

Kim, on his first visit to Moscow for 20 years, told Chernenko yesterday that his country sought U.S. withdrawal from the south.

Tass said senior North Korean officials, including the foreign and defence ministers, accompanied President Kim at the Kremlin talks with Mr Chernenko and four other Politburo members.

Tass said the talks "corroborated the similarity" of the two sides' views on international affairs, a catch phrase which normally indicates disagreement on some points.

Asian diplomats said the problem area was likely to have been China, which North Korea has appeared to favour in recent years, despite its delicate path between the estranged Communist giants.

Chinese Communist Party leader Hu Yaohang visited Pyongyang earlier this month, a trip which the diplomatis said probably irritated Moscow.

Tass said both sides "pointed out the danger of the growing militaristic trends in Japan and of the attempts to create a military - political alliance between Washington, Tokyo and Seoul."

Mr Chernenko on Wednesday accused the U.S., Japan and South Korea of forging a bloc to "divide and rule" in Asia.

Other diplomats said it was significant that both sides "strongly denounced the aggressive policy" of Nato and the U.S. but only "pointed out the danger" of developments in Asia. Reuter

## BASE LENDING RATES

| | | | |
|---|---|---|---|
| A.B.N. Bank | 9 % | ■ Hill Samuel § | 9¼% |
| Allied Irish Bank | 9¼% | C. Hoare & Co. † | 9 % |
| Amro Bank | 9 % | Hongkong & Shanghai | 9 % |
| Henry Ansbacher | 9¼% | Kingsnorth Trust Ltd | 10 % |
| Armco Trust Ltd. | 9¼% | Knowsley & Co. Ltd. | 9¼% |
| Associates Cap. Corp. | 9 % | Lloyds Bank | 9 % |
| Banco de Bilbao | 9¼% | Mallinhall Limited | 9 % |
| Bank Hapoalim BM | 9 % | Edward Manson & Co. | 10¼% |
| BCCI | 9¼% | Meghraj and Sons Ltd. | 9¼% |
| Bank of Ireland | 9¼% | Midland Bank | 9¼% |
| Bank of Cyprus | 9¼% | ■ Morgan Grenfell | 9 % |
| Bank of India | 9¼% | National Bk. of Kuwait | 9 % |
| Bank of Scotland | 9¼% | National Girobank | 9 % |
| Banque Belge Ltd. | 9¼% | National Westminster | 9 % |
| Barclays Bank | 9¼% | Norwich Gen. Tst. | 9¼% |
| Beneficial Trust Ltd. | 10 % | People's Tst. & Sv. Ltd. | 10 % |
| Bremar Holdings Ltd. | 9 % | R. Raphael & Sons | 9 % |
| Brit. Bank of Mid. East | 9 % | P. S. Refson & Co. | 9¼% |
| ■ Brown Shipley | 9¼% | Roxburghe Guarantee | 9¼% |
| CL Bank Nederland | 9 % | Royal Trust Co. Canada | 9¼% |
| Canada Permn't Trust | 9 % | ■ J Henry Schroder Wagg | 9 % |
| Castle Court Trust Ltd. | 9¼% | Standard Chartered ‖ | 9¼% |
| Cayzer Ltd. | 9¼% | Trade Dev. Bank | 9¼% |
| Cedar Holdings | 9 % | TCB | 9 % |
| ■ Charterhouse Japhet | 9¼% | Trustee Savings Bank | 9 % |
| Choulartons | 10¼% | United Bank of Kuwait | 9 % |
| Citibank NA | 9¼% | United Mizrahi Bank | 9 % |
| Citibank Savings ¶ | 9¼% | Volkskas Limited | 9¼% |
| Clydesdale Bank | 9¼% | Westpac Banking Corp | 9 % |
| C. E. Coates | 10¼% | Whiteaway Laidlaw | 9¼% |
| Comm. Bk. N. East | 9¼% | Williams & Glyn's | 9¼% |
| Consolidated Credits | 9¼% | Wintrust Secs. Ltd | 9¼% |
| Co-operative Bank * | 9 % | Yorkshire Bank | 9 % |
| The Cyprus Popular Bk | 9¼% | | |
| Dunbar & Co. Ltd. | 9¼% | | |
| Duncan Lawrie | 9¼% | | |
| E. T. Trust | 9¼% | | |
| Exeter Trust Ltd. | 10¼% | | |
| First Nat. Fin. Corp. | 11 % | | |
| First Nat. Secs. Ltd | 9¼% | | |
| Robert Fraser | 10 % | | |
| Grindlays Bank ‡ | 9 % | | |
| ■ Guinness Mahon | 9 % | | |
| ■ Hambros Bank | 9¼% | | |
| Heritable & Gen Trust | 9¼% | | |

■ Member of the Accepting Houses Committee.
* 7-day deposits 5.75%. 1-month 6.50%. Fixed rate 12 months £2,500 8.5% £10,000. 12 months 8%.
† 7-day deposits on sums of under £10,000 6%. £10,000 up to £50,000 6¼%. £50,000 and over 7¼%.
‡ Call deposits £1,000 and over 5¾%.
‖ 21-day deposits over £1,000 7%.
§ Demand deposits 5¾%.
¶ Mortgage base rate.

# Austerity protests spread in Bolivia

PROTEST strikes and fasts against government austerity measures have spread in Bolivia and the country's third largest party has warned that the armed forces would have to take over if President Hernan Siles Zuazo did not resign, Reuter reports from La Paz.

About 1,800 trade unionists and central bank staff were on hunger strike yesterday. Civil Servants stopped work for 24 hours and bank employees held a 48-hour stoppage.

The right-wing Nationalist Democratic Action, headed by former military president Hugo Banzer, said Sr Siles Zuazo and vice-president Jamie Paz Zamora "must step down from the office that they have not been able to fulfill."

If they did not resign, "the day will come when the armed forces will have to intervene to impose the rule of law." it added.

## Rebel ship sunk

The Nicaraguan Government said on Wednesday that its air force sank a light assault craft off the Atlantic coast, Reuter reports from Managua.

A Defence Ministry statement said the craft was supplying U.S.-backed rebels in south-east Nicaragua but was destroyed early this morning south of the Atlantic port of Bluefields, 150 miles east of Managua.

## Election challenge

Panama's opposition leader led 4,000 people in a march through Panama City on Wednesday to protest at the result of the country's first presidential election in 16 years, Reuter reports

On opposition spokesman said 82-year-old Arnulfo Arias lodged a protest with an electoral tribunal which declared on Sunday that the May 6 poll had been won by the Official Party candidate, Sr Nicolas Ardito Barletta.

## Cuba joins boycott

Cuba, one of the world's top sporting nations, has become the 10th country to join the Soviet-led boycott of the summer Olympic games in Los Angeles, prompting the Los Angeles Olympics chief to accuse Moscow of interference.

Cuba said it could not ignore "the violation of the Olympic principles and norms, trampled on by the Los Angeles organisers."

HOUSE BANS USE OF COMBAT TROOPS

# Salvador aid request approved

BY REGINALD DALE, U.S. EDITOR IN WASHINGTON

THE HOUSE of Representatives yesterday overwhelmingly approved President Ronald Reagan's request for $62m in urgent military aid for the embattled government of El Salvador, but was expected to reject his plea for $21m for the right-wing "Contra" rebels fighting the Sandinista Government of neighbouring Nicaragua.

The vote came after the House fired a warning shot across the bows of Mr Reagan's Central American policies by banning the introduction of American combat troops into El Salvador or Nicaragua unless the U.S. or its citizens were endangered, or Congress first declared war.

The full House approved the $62m for El Salvador by 267 to 154, dividing the funds into $30m for new military aid and $32m to refund the Pentagon for aid already rushed to the country through emergency procedures.

**A Salvadorean civilian court yesterday found five national guardsmen guilty of the murder of four U.S. churchwomen near the international airport in December 1980, writes Our Foreign Staff. The verdict on a case which has attracted much attention in the U.S. is expected to raise further controversy in that none of the guardsmen's officers, on whose order they acted, has been accused.**

**Sister Helene O'Sullivan, a U.S. nun who sat as an observer at the trial, which took place in the provincial town of Zacatecolnca, announced after the verdict: "We will now pursue investigations of a cover-up and high involvement."**

**In New York relatives of the four murdered women accused the U.S. government of hampering efforts to find and punish the murderers of the four. But the U.S. Justice Department said "justice has been done."**

Approval of the full $62m followed an impassioned and apparently successful appeal for support by Sr Jose Napoleon Duarte, the President-elect, during a Washington visit earlier this week. Yesterday's conviction in El Salvador of five national guardsmen for murdering four American churchwomen also helped to reassure a number of those Democrats who had earlier opposed the funds.

House leaders said they hoped the Senate, which has approved both the $62m for El Salvador and $21m for the "contras," would now back off on the Nicaraguan funds. The two Houses will have to hold conference negotiations to settle the issue, with the Administration still pressing strongly for the money for the "contras."

The House Democrats yesterday also sharply rejected a proposal to provide just $6m to close down operations by the "contras," whom Mr Reagan describes as "freedom fighters."

Mr Tip O'Neill, the House Speaker, yesterday called them "marauders, murderers and rapists," and said it would be "a disgrace to this government" to provide money for their "rehabilitation."

Wednesday night's vote prohibiting the use of U.S. combat troops is unlikely to become law, as it must also pass the republican-led senate and be signed by Mr Reagan.

Nevertheless, House Democrats said the massive 341-64 majority in favour of the amendment was a clear expression of the strong feelings in the House, in Republican as well as Democratic ranks.

# House delivers setback to 'star wars' plan

WASHINGTON — The House of Representatives has delivered a setback to President Ronald Reagan's "star wars" defence plan. It voted on Wednesday night to stop the testing of anti-satellite weapons (Asat) while the Soviet Union continued its own moratorium.

Reagan supporters tried to thwart the move through a series of procedural manoeuvres but lost by wide margins. The key vote was 238-181.

It was the second defeat for President Reagan on the Administration's $285bn (£203bn) defence Bill for 1985. Last week the House deleted funds for the production of chemical weapons.

It kept the MX nuclear missile programme alive only after the President and key Republicans agreed to a compromise which cut the 1985 missile purchase from 40 to 15 weapons and tied the funds to resumed arms control talks.

The Republican - controlled Senate must still act on the Bill.

Representative George Brown said the amendment adopted "puts the Asat testing programme on hold unless the Soviets break their own declared moratorium.

He and other democrats argued that the chances of achieving an arms control agreement with the Soviet Union were less likely when Asat flight-testing was complete because of the difficulty of verifying an anti-satellite weapons ban.

Mr Reagan had asked for $62m to start production of the Asat non-nuclear guided missile, intended to be launched from an F-15 fighter plane

Mr Reagan pushed the Asat system as part of the broader "star wars" defence system Reuter

# Banks lobby for Canadian law change

BY BERNARD SIMON IN TORONTO

A GROUP of senior foreign bankers has flown to Ottawa in an effort to defuse parliamentary opposition to a government proposal easing statutory restrictions on the activities of foreign banks in Canada.

Opponents of the proposed relaxation, who are members of the socialist-leaning New Democratic Party (NDP), threaten to delay parliamentary passage of an amendment to the Bank Act long enough to prevent it being passed before parliament is prorugued in a month's time. With an election expected this year, Parliament will probably not sit again until some time in 1985.

The amendment would allow the 58 foreign banks to increase their assets to 16 per cent of the domestic assets of the banking sector as a whole, double the present limit of 8 per cent.

Several banks are already humping against the ceiling and are anxious for the law to be changed as soon as possible to enable them to expand their Canadian business.

The bank delegation discussing the issue with NDP leaders includes the chief executives of Canadian subsidiaries of Citibank, Barclays and Manufacturers Hanover.

The NDP is using the foreign banks' lending ceiling as a bargaining counter to gain concessions for another group of financial institutions, the credit unions, which channel the savings of employee groups, such as teachers' associations, to individual and small business borrowers.

Foreign banks are frequently criticised for concentrating on the lucrative corporate sector at the expense of small and medium-sized customers.

# Doubts over Colombia truce

RENEWED violence in Colombia this week has cast doubts over the conservative government's ability to implement an indefinite ceasefire with the country's largest guerrilla group due to take effect on Monday, Reuter reports from Bogota.

Bomb attacks in the capital have killed two people and injured 11, while renewed guerrilla fighting has left nearly 20 people dead in the provinces.

The truce with the Colombian Armed Revolutionary Forces (Farc) was the result of months of efforts by the government

# Opinion poll puts Reagan ahead of Democrats

By Reginald Dale, U.S. Editor in Washington

PRESIDENT Ronald Reagan would beat either of the two leading Democratic contenders if the U.S. presidential elections were held today, but Senator Gary Hart would give him a closer race than former vice-president Walter Mondale, a nationwide opinion poll said yesterday.

The latest Washington Post-ABC news poll of registered voters said Mr Reagan would beat Mr Mondale by 51 to 43 per cent, but Mr Hart by only 49 to 45 per cent. Nevertheless, Democratic voters said by a margin of 3 to 2 that they still preferred Mr Mondale as their nominee.

Nearly three out of four registered votes (73 per cent) said Mr Reagan had "strong leadership qualities," while only 50 per cent said the same of Mr Mondale and 49 per cent of Mr Hart. By 54 to 37 per cent, registered voters said it would be a good idea for the Democrats to select a woman vice-presidential candidate.

The 1,511 respondents were almost evenly divided over whether Mr Mondale sides more with the average citizen or with special interests, as his opponents have charged. Mr Hart was seen by a 2 to 1 ratio as siding more with the overage citizen, and Mr Reagan, also by 2 to 1, as siding with special interests.

As Idaho voted for 18 of its delegates to the Democratic convention in caucuses yesterday, the latest unofficial count gave Mr Mondale 1,610 of the 1,967 delegates needed to win the nomination, against 953 for Mr Hart, 303 for the Rev Jesse Jackson and 327 uncommitted.

## Campaign break-in

THE headquarters of the Democratic Party Congressional Campaign Committee were broken into Wednesday, AP reports from Washington. Two offices were ransacked and a variety of papers and other items were stolen, police said.

A committee aide, Mr Mark Johnson, said no politically sensitive documents were taken and that the break-in appeared to be mostly an act of vandalism.

# De Lorean lawyers claim government created drugs case

BY LOUISE KEHOE IN LOS ANGELES

THE CRITICAL act in the John De Lorean court room drama opened yesterday as defence attorneys for the former automobile executive began their efforts to "destroy" the chief prosecution witness in the drug trafficking trial.

"Doing well, in cross examining Hoffman (Mr James Hoffman a convicted drug dealer turned government informant) will be very very important," conceded Mr Donald Re, one of Mr De Lorean's lawyers. With their questions, the defence lawyers must compensate for highly damaging evidence presented by the prosecution earlier this week.

Video tapes and tape recorded conversations played in the courtroom showed Mr De Lorean discussing the purchase and sale of "Thai herion" and "Colombian cocaine."

Although code words such as "monkeys" and "spare parts" were used in discussions of the drug trafficking scheme, Mr De Lorean was indeed talking about drugs. his lawyers admitted outside the Los Angeles court on Wednesday.

"Yes, he was talking about a drug deal, but it was their drug deal, not his," said Mr Howard Weitzman, chief defence attorney. "John (De Lorean) was in a pathetic state of mind. Clearly his judgment was poor non-existent," said Mr Weitzman of the founder of De Lorean motors. "But he was desperate to save his company."

Mr De Lorean listened nervously but said nothing as his lawyers questioned the tactics of the FBI undercover agents who arrested him.

"This case will form the backbone of new legislation and (undercover operation) guidelines," predicted Mr Weitzman. "How far can the Government go? They created this case to draw publicity for a new inter-agency FBI-Drug Enforcement Agency Task Force to bring attention to their war on drugs," Mr Weitzman charged.

"This is a drugs case only because the Government wanted a drugs case," added Mr Re. "It could have been a security fraud, or another sort of crime but they manipulated John to make a drugs case. The Government's conduct was outrageous."

Mr Re also charged that the British government knew of the undercover drug investigation prior to Mr De Lorean's arrest and contributed to the pressures put upon Mr De Lorean to accept drug profits to save his Belfast-based company.

Earlier, in the courtroom, a secretly video taped meeting between Mr De Lorean and undercover agents showed Mr De Lorean blaming the British government for his financial problems.

"When we went into this project with the Labour Government in Great Britain it was on the understanding that we were going to be the nucleus of a major automotive complex in Northern Ireland . . . to create 10,000 to 15,000 jobs.

"We had absolute carte blanche from the Labour Government.

# Colombia minister in U.S. for talks on drugs trade

BY ANDREW GOWERS IN WASHINGTON

Sr Rodrigo Lloreda, the Colombian Foreign Minister, is in Washington this week for talks with U.S. officials amid high U.S. hopes that the Bogota Government finally means business in its crackdown on cocaine growes and traffickers.

Colombia, the source for about 75 per cent of the cocaine on the U.S. market, mainly refining coca-leaf grown in Peru and Bolivia, has come under mounting pressure from the U.S. Government to curb the trade.

However, since Sr Rodrigo Lara Bonilla, the former Justice Minister who crusaded against the drug trade, was gunned down late last month by suspected traffickers, President Bolisario Betancur has declared war on narcotics, and the Government has begun to make good its promises.

# WORLD TRADE NEWS

## China's premier looks to Europe to drum up fresh investment

PEKING — Prime Minister Zhao Ziyang of China, the driving force behind the country's liberalised economic policies, opens a tour of west Europe next wek to drum up fresh trade and investment.

Mr Zhao, 64, leaves Peking on Tuesday to visit France, Belgium, Sweden, Denmark, Norway and Italy.

His trip follows a visit to the U.S. in January, ahead of President Ronald Reagan's China tour last month, and is seen by Western diplomats in Peking as part of a process of building up Zhao as an international statesman. He became Prime Minister in 1980.

Under Zhao, China is adopting a policy of opening up to the West. It is trying to build ties with Western Europe, which is seen in Peking as an alternative source of advanced technology and trade to Japan and the U.S.

Earlier this month, Vice-Premier Li Peng visited Bonn and signed a 15-year research and co-operation agreement with West Germany on the peaceful use of nuclear energy. It could lead to the sale of two West German nuclear power plants to China.

China, which also announced a nuclear energy accord with the U.S. during the Reagan visit, plans to build 12 reactors, with potential contracts valued at around $20bn.

Industry officials expect most to be filled by U.S. manufacturers, so long as the American agreement is ratified by Congress, but China is also looking to Europe to participate in the energy programme.

France looks likely to get the contract for a nuclear plant at Daya Bay, near Hong Kong. GEC of Britain is expected to supply the turbines. Zhao is not going to West Germany because his visit would follow Li's too closely, and he is also leaving London off his itinerary as Britain and China are currently involved in sensitive negotiations over the future of Hong Kong.

His first stop is Paris and follows a visit by French President Francois Mitterrand a year ago.

Apart from the nuclear deal, France is interested in selling China Mirage 2000 combat aircraft as well as civilian jets such as the European Airbus.

Zhao will be pressing French businessmen to invest in China's special economic zones and 14 coastal cities which Peking says will now open for overseas investment under special concessionary terms.

Overall Sino-EEC trade rose 20 per cent in 1983 to $5.57bn, with China reversing a three-year running trade surplus to end with a $1.21bn deficit, according to Chinese figures.

The Community signed a textile agreement with China in March under which Pekin can increase its textile exports to the community by 10 per cent in certain categories.

Reuter.

## Andean Pact may relax restrictions

By Hugh O'Shaughnessy in London

RESTRICTIONS ON foreign investments in the five countries of the Andean Pact are likely to be considerably relaxed in the next few months, according to Sr Jorge Ospina, head of the Colombian National Planning Department.

Speaking in London at a meeting for British businessmen before the Investors' Forum to be held in July in Bogota, Sr Ospina said that the governments of the five-nation grouping – Venezuela, Colombia, Ecuador, Peru and Bolivia – were keen to do more to encourage inward investment.

"The former Article 24 of the Andean Pact has been substantially modified and regulations on profit remittances, local partnerships and reinvestment have been liberalised," he said.

According to Colombian Government statistics, more than 700 foreign companies had by the end of 1982 invested $1.35bn in Colombia

## Jurek Martin on why Japan is setting its hopes on the London summit

# Tokyo pushes for new Gatt round

JAPAN BELIEVES that European attitudes hold the key to whether or not progress can be made at the London summit next month towards launching another round of multinational trade negotiations.

A senior Foreign Ministry official here, speaking with unusual frankness, said that Japan hoped that the summit communique "will go a little bit further" than that issued by ministers attending the meeting of the Organisation of Economic Co-operation and Development in Paris last week.

That session had produced a statement to the effect that another trade round could make an important contribution to an improved global economy. But it did not, as Mr Shintaro Abe, the Japanese Foreign Minister, had proposed, refer to a specific timetable for getting the process under way.

Japan would like to see the summit first recognise the importance of a new round, thus giving it at least a provisional political seal of approval and secondly, perhaps assign some form of body to get the necessary groundwork under way. The most critical initial steps were to determine "when it should start and what should be in it," he said.

Japan is setting considerable store on its self-appointed leadership on the trade issue, with the proposed new round already having been informally named after Mr Yasuhiro Nakasone, the Prime Minister.

The official said that while the U.S. shared Japan's enthusiasms, European reservations were based on the continent's feeling that a general economic recovery should "come first." Japan, on the other hand, felt a new round could make a substantial contribution to general recovery by helping to roll back protectionist tendencies.

However, he noted that those European nations to be represented at the summit were themselves divided on the issue, with the UK and West Germany noticeably less negative than France and Italy, probably, he said, because the economies of the two latter countries were still in poor shape.

THE seven-nation European Free Trade Association (EFTA) this week joined Japan and the U.S. in calling for a new round of global negotiations aimed at reducing trade barriers, writes our Trade Staff.

A communique issued after a summit meeting of Efta prime ministers on the Swedish island of Gotland said:

"The Efta countries support the idea of a new global round of Gatt, that is, international negotiations whose aim should be to dismantle trade barriers and strengthen free trade."

In three meetings this month—when M Gaston Thorn, President of the European Commission, was in Tokyo, during a Japanese ministerial delegation's talks in Brussels, and at the OECD—Japan and Europe have fenced inconclusively with each other over a new trade round. However, the official said Japan was far from discouraged by the exchanges to date.

Nor was Japan discouraged by concerns expressed by some developing nations that a new round would have little benefit for them. Agriculture, a primary concern for the LDCs, "must be an essential part of this coming round"—as should trade in newer areas like services and high technology," he said.

The important and, as yet, unresolved question here is the extent to which Japan and Europe, in particular, are prepared to expose their protected agricultural sectors in the interests of wider free trade.



## India to send first official trade mission to Peking

BY K. K. SHARMA IN NEW DELHI

INDIA IS to send its first official trade delegation to China in July in a major bid to increase trade between the two largest countries in Asia. Among the subjects that will be discussed is the signing of a trade agreement.

This was announced yesterday by Mr V. P. Singh, the Minister of Commerce, at a meeting of the Central Advisory Council of Trade after a number of members, including Mr Ramakrishna Bajaj, president of the Federation of the Indian Chambers of Commerce and Industry, urged the Government not to ignore China in its trade promotion efforts. India's trade delegation will be led by Mr Abid Hussain, the country's Commerce Secretary.

India and China went to war over a border dispute in 1962 and since then relations have been cool. A thaw set in about four years ago when they resumed diplomatic contacts and started talks on improvement of relations. However economic relations have developed only slowly despite a number of private trade missions. Two-way turnover in trade is less than $60m a year.

At yesterday's meeting of the Central Advisory Council, at which all major associations and chambers of businessmen are represented, a strong feeling was expressed that India was missing a vital opportunity by not pursuing a policy of rapid trade expansion with China. A minimum two-way turnover of $1bn a year could be achieved, members said.

Mr Bajaj, who recently led a private businessmen's delegation to China, said he had noted that the Chinese were extremely anxious for greater commercial contacts with India. They had indicated that they wanted Indian management of many of the new hotels opened there.

Among other decisions announced at the meeting by Mr Singh was that the Government had decided to concentrate its trade promotion efforts on about 15 promising countries so that the maximum results could be achieved. At present, efforts are spread thinly over all countries and the investments are thought to be largely wasteful.

## Portugal wins textile export concessions

STOCKHOLM – Sr Mario Soares, the Portuguese Prime Minister said yesterday he had won concessions from Sweden on the issue of Portugal's textile exports that loomed large at the European Free Trade Association (EFTA) summit concluded on Wednesday.

The EFTA delegates, meeting in the Swedish island of Gotland, heard Sr Soares hit out at restrictions on textile imports from his country, and he pursued the subject in talks here during an official visit following the summit.

Appearing at a joint news conference with Sr Soares, Mr Olof Palme, the Swedish Prime Minister, confirmed that Sweden would take "a more flexible attitude". But he did note that Portugal's exports already exceeded by more than 260 per cent the agreed quotas, which left room for an annual growth of only about 2 per cent.

Mr Palme promised further discussions, however, and Sr Soares was satisfied. "It means Portugal will be able to export more textiles to Sweden," he said.

Sr Soares said discussions during his first official visit to Sweden as premier also covered tourism and Swedish investment in Portugal, along with international issues ranging from Latin America and South Africa to the Gulf and the conflict between Iran and Iraq.

Asked when his Government's austerity programme might be expected to bring about a reduction of inflation and unemployment in Portugal, Sr Soares said he considered inflation a much more serious problem than unemployment.

"Unemployment is not as bad as in other countries. The current level is 8 per cent. Inflation is a considerably more difficult problem. At present the rate is 25 per cent, but we hope to reduce it to 21–22 per cent," he explained.

"We successfully battled a number of economic problems that were grave when we came to power 11 months ago," Sr Soares said. He cited a considerable reduction of the deficits on the balances of trade and payments.

"We have reduced the trade balance from $3.5bn to $1.6bn," he said.

"The major problem is that Portugal has to import large amounts of oil and grains and we have to pay in U.S. dollars. With the steady rise of the dollar against our currency we also import inflation."

Sr Soares said his plans for Portugal did not include nationalisation, which he did not consider "necessary" and opposed because of the potential bureaucracy.

Mr Palme said he believed in Portugal's future. "Portugal has, like other nations, been hit hard by the economic recession. But I am convinced Portugal will have a bright future, not just economically but also as a democracy." Reuter

# WORLD TRADE NEWS

GATT'S ANALYSIS OF INTERNATIONAL TRENDS

## Trade volume forecast to increase by 5–6%

BY ANTHONY McDERMOTT IN GENEVA AND FRANK GRAY IN LONDON

THE VOLUME of world trade is expected to increase by 5–6 per cent this year over 1983, the General Agreement on Tariffs and Trade (Gatt) forecasts.

In a report entitled International Trade in 1983 and Current Prospects, the Geneva-based world trade body declined to forecast how this would translate into value terms.

Its analysis, which is a prelude to its annual report, to be released in the autumn, clearly signalled that a recovery in international trade is gathering pace after stagnation in 1981 and 1982 and a 2 per cent rise in volume trade in 1983.

The report notes, however, that the U.S. dollar unit value of trade fell by nearly 4 per cent last year, due primarily to continuing appreciation of the dollar and a decline in fuel prices.

"This more than offset the increase in volume, causing the value of world trade to decline by 2 per cent, to about $1.61 trillion," the report says.

It suggests that this distorting factor was *en route* to an improvement, with an easing of the dollar exchange rate in relation to other currencies in the first quarter of 1984. But the report points out that the dollar has since strengthened as U.S. interest rates have moved up.

In 1983, the dollar strengthened its rate of exchange with all other major currencies except the Japanese yen.

On a year-on-year basis, the dollar rose 3.5 per cent against the Swiss franc, 5 per cent against the D-Mark and by around 16 per cent against sterling and the French franc.

The yen's strength was even greater, and rose by 5 per cent against the dollar.

While the Gatt study is optimistic over the gains of the past year, it points out that the resumption of growth has occurred only in a number of industrial countries and in some developing countries.

Many African, Latin American and a few Asian countries remained deeply immersed in the debt crisis or were retarded by a lack of industrial development.

The analysis of world trade "revealed the continued reliance on import contraction to 'improve' the payments positions of the more heavily indebted developing countries," and "makes it clear that a satisfactory resolution of the debt crisis is still to be found."

The report adds: "The demand for borrowed capital remains strong relative to available savings, helping keep interest rates high."

The battle against inflation, though vastly improved from a few years ago, and against unemployment still remain unresolved in the longer term.

Turning to more specific areas, the report points out that the composition of world trade has changed since the onset of the recession in the late 1970s.

The improvement last year, for example, was heavily concentrated on the growth in U.S. imports. These were equivalent to one half of the net increase in the volume of world trade for the year.

The most outstanding development was the boom in trade in electronic products, especially computers and related equipment, electronic components, such as semiconductors and electronic microcomponents, and parts of consumer electronic goods.

Trade in mineral products declined for the fourth consecutive year, due to the continuing decline in exports of petroleum. Agricultural and manufactured exports continued to expand, recording increases of 2 and 4 per cent respectively.

Exports of crude oil fell by 8 per cent, putting the volume at its lowest level since the late 1960s.

The traditional oil exporting countries suffered in particular, with their exports in 1983 down by 18.5 per cent on the previous year and worth $177bn. Their imports fell by 16 per cent to $140bn.

The volume of imports into the non-oil developing countries fell again in 1983 while exports expanded. Only a relatively small number of these countries, among them Brazil, South Korea, Malaysia and Pakistan, appear to have fully participated in the export upturn.

In Eastern Europe (excluding the Soviet Union) aggregate production, after declining by 1 per cent in 1981 and stagnating in 1982, is estimated to have increased by 3.5 per cent in 1983. This is the same figure for the production of the Soviet Union in that year.

According to preliminary data, industrial production in China expanded by about 10 per cent in 1983. Agricultural output also expanded significantly. In dollar value, imports increased by about 7 per cent while exports stagnated. As a result, the trade surplus contracted from $3bn in 1982 to an estimated $2bn in 1983.

*International Trade in 1983 and Current Prospects, The General Agreement on Tariffs and Trade, Centre William Rappard, 1211 Geneve 21.*

# UK NEWS

## Hoverspeed contests £2.4m claim by French railways

BY ANDREW FISHER, SHIPPING CORRESPONDENT

HOVERSPEED, the UK cross-Channel hovercraft company, is appealing against a French court decision that it is liable to pay FFr 28m (£2.4m) to Société Nationale des Chemins de Fer (SNCF), the French state railway after breaking off a proposed partnership deal.

Mr Gerry Draper, acting managing director and deputy chairman of Hoverspeed, said yesterday that the judgment had come from a local court in Boulogne.

Hoverspeed was appealing through a higher court in Douai, north west France. The matter would also be going to an independent arbitrator, be said.

SNCF's action results from Hoverspeed's decision last July to refuse acceptance on technical grounds of a large French hovercraft, the N500, in return for which SNCF would have been granted a 10 per cent stake in the UK company.

Hoverspeed, recently taken over by its management after continued losses – the previous parents were British Rail and Brostroms of Sweden – said the N500 craft was unreliable.

But SNCF was unhappy about the decision. Hoverspeed has six craft and Mr Draper said it was still considering ordering two more worth some £20m each from British Hovercraft Corporation, part of the Westland Group.

These craft would be more advanced than the N500 type, he said. Hoverspeed claims that the N500 has "inherent technical defects," he said. "The French do not accept that."

## General Accident buys stake in car repairs

BY ERIC SHORT

GENERAL Accident, Britain's largest motor insurer with about 1.25m motorists covered, yesterday announced its entry into the car repair business, an unprecedented step for a motor insurance company.

The company is acquiring, for an undisclosed sum, a 49 per cent stake in Autocrafts, based in Folkestone, Kent, and a 51 per cent stake in an associated company, Auto Economics.

Autocrafts is a specialist vehicle repairer. Auto Economics specialises in the recovery of undamaged body parts and other vehicle accessories from non-repairable vehicles for re-use and resale.

UK insurance companies spend hundreds of millions of pounds every year on motor repairs, yet have never had a direct involvement in the motor repair industry. Insurance companies have been criticised for not controlling repair bills charged by garages, so leading to higher insurance premiums than necessary.

Mr Ken Noble, General Accident's deputy manager for its UK operations, said that the direct involvement would enable the company to keep an even closer eye on costs. He said that the use of suitable parts from damaged vehicles could significantly reduce claim costs.

# Capital investment highest for two years

By Philip Stephens

CAPITAL investment in Britain picked up earlier this year to show an encouraging rise on the low levels of 1983, according to official figures released yesterday.

Stocks held by the production and distribution industries also edged higher, although at a slower pace than at the end of last year.

The Department of Trade and Industry said that investment by manufacturing, construction, distribution and financial companies reached £6.1bn in the first three months of 1984, the highest quarterly level for more than two years.

The rise in the last quarter of 1983 was only 1 per cent, but capital spending between October and March was nearly 8 per cent above that in the preceding six months.

In manufacturing alone, investment was 9½ per cent higher on a six-month basis, ending a steep decline since the onset of the recession in 1980.

Officials described the figures as encouraging, and said they expected the tax changes announced in the March budget to bring a further strong rise over the rest of this year.

SCARGILL READY TO ACCEPT COAL BOARD INVITATION

# Pit peace talks set to restart

BY OUR INDUSTRIAL STAFF

FRESH TALKS are expected in the coal dispute between the National Coal Board (NCB) and the National Union of Mineworkers (NUM). Mr Arthur Scargill, president of the NUM, said yesterday he was ready to accept a new invitation from the NCB for talks which might lead to a settlement.

The first meeting between the two sides in the dispute, which has lasted 11 weeks, broke down on Wednesday amid angry recriminations. The NCB then wrote to the NUM suggesting further talks to find a solution.

Mr Scargill said that the letter was a "completely new departure from the coal board's intransigent attitude." He said: "It suggests for the very first time that these talks might offer the prospect of finding a solution to the present problem. In view of that, we welcome the letter."

Mrs Margaret Thatcher, the Prime Minister, told the House of Commons: "I most earnestly hope that the talks will succeed because the Government has done its part by providing for investment in the future of the coal industry."

The Prime Minister's tone was much more conciliatory than earlier in the dispute. She described the letter sent by Mr James Cowan, the NCB deputy chairman, to the union as "a very wise offer" and stressed that the two sides "would have to co-operate for the future."

Some government ministers were pleased by the change in Mrs Thatcher's attitude and believe that the NCB should be allowed to stretch out the timetable of its pit closure programme. It was the NCB's plan to cut output by 4m tonnes and close 20 pits this year, with about 20,000 redundancies, that led to the strike.

Mr Scargill still insisted that the NCB should withdraw its pit closure programme before the negotiations get under way. But he said that the union was pleased that the board was finally prepared to talk about the dispute.

Mr Peter Heathfield, the NUM general secretary, said that the union would not discuss the closure of 20 pits "this year," but he pointed out that the NUM had agreed to four closures this year on grounds of exhaustion. He said: "We have one precondition, we are not prepared to negotiate ourselves out of work."

He accused Mr Ian MacGregor, the NCB chairman, of being "unwilling or incapable of negotiating."

● Leaders of British Rail's manual unions last night called off industrial action threatened from next week and accepted a pay offer which will give increases of up to 5.6 per cent for some grades.

# Cost of dispute calculated at £70m a week

BY OUR INDUSTRIAL EDITOR

THE WEEKLY cost to the Government of the coal dispute is running at around £70m — "unpleasant, but manageable" according to Mr Gavin Davies, chief economist at stockbrokers Simon and Coates.

His calculation of costs to the Treasury include a £25m-£30m net loss by the National Coal Board (NCB), a £17m to £25m cost borne by the Central Electricity Generating Board, £10m lost in tax revenues from striking miners, £3m lost by British Rail and £500,000 extra paid out to strikers' families.

He also estimates that the index of all-industries production for April will show a fall of 3 to 3.5 per cent and could drop by up to 4 per cent if the strike continues and becomes more solid.

These falls reflect only the loss of coal production, since there have been only marginal knock-on effects of the strike so far. However, steel production has already suffered minor cuts and could be hit badly if coking coal supplies are halted.

Dr Paul Nield, chief economist at Phillips and Drew, agrees with these assumptions. He also forecasts that the monthly balance of trade figures could show a drop of £150m, accounted for by the sharp increase in oil imports and the drop in oil exports, as oil-fired power stations take over much of the load from coal-fired stations.

Mr Davies' assumptions on the NCB's losses are that it will sustain a £25m weekly loss if stocks are rebuilt after the strike.



## Company Notice

**HARRISONS MALAYSIAN PLANTATIONS BERHAD**

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of the Company will be held at Bangunan MIDF, 195-A Jalan Tun Razak, Kuala Lumpur on the 18th day of June, 1984 at 10.00 a.m. for the purpose of considering and, if thought fit, passing the following Resolutions of which the Resolution numbered 1 will be proposed as an Ordinary Resolution and the Resolution numbered 2 as a Special Resolution.

RESOLUTIONS

1. THAT the offers by the Company for the share capitals of Castlefield (Klang) Rubber Estate PLC, Holyrood Rubber PLC, The Kuala Selangor Rubber PLC and Sogomana Group PLC, the Scheme of Arrangement in respect of Doranakande Rubber Estates PLC, Kluta Kellas Rubber Estates PLC, The Malayalam Rubber Company PLC and The Sungei Bahru Rubber Estates PLC, the Agreement in respect of Halek Rubber Estate Limited and the proposal in respect of [illegible] Rubber Estate Limited all on the terms set out in the document dated 25th May, 1984 from N. M. Rothschild & Sons Limited and Bumiputra Merchant Bankers Berhad (a copy of which has been produced to the Meeting and signed for identification purposes by the Chairman) or any revision thereof be and they are hereby approved.

2. THAT

(a) the authorised share capital of the Company be increased from M$400,000,000 [illegible]

(i) by the addition thereof of up to M$25,803,029 divided into up to 25,803,029 shares of M$1 each [illegible]

(ii) by the addition thereof of up to M$8,628,328 divided into up to 8,628,328 shares of M$1 each [illegible]

(iii) by the addition thereof of up to M$4,012,050 divided into up to 4,012,050 shares of M$1 each [illegible]

(iv) by the addition thereof of up to M$13,205,904 divided into up to 13,205,904 shares of M$1 each [illegible]

(v) by the addition thereof of up to M$7,065,800 divided into up to 7,065,800 shares of M$1 each [illegible]

(vi) by the addition thereof of up to M$13,672,051 divided into up to 13,672,051 shares of M$1 each [illegible]

(b) [illegible]

(c) [illegible]

By Order of the Board
ZAINAL ABIDIN BIN JAMAL
Secretary

NOTES:

1. [illegible]

2. [illegible]





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MANAGEMENT AMIDST DIVERSIFICATION

# REVIEW OF THE SERIES

By Geoffrey Murray

*A major business trend for Japan in the 1980's: companies who have strayed far from their roots. Throughout the postwar era, both government and private business sectors have demonstrated a high degree of pragmatism in changing direction. There is no room for sentiment, little place for propping up lame-duck industries just because they were once world beaters. And, as the 21st century looms with all its new challenges, this aspect of the Japanese economic miracle is becoming more pronounced. Faced with major structural changes in the domestic and international society, increased global competition and a worsening economic environment, the Japanese business community is being called upon to demonstrate new reserves of flexibility and versatility. Companies have to move fast into new business lines, developing entirely new products, and drastically switching directions at home and abroad in order to cope and stay profitable.*

*An example of how the structures of so many Japanese companies have changed over the past decade or so was contained in a study made earlier this year by a leading local bank, which concentrated on how the top five or six firms in 36 domestic manufacturing sectors had moved away from their traditional business lines. Almost half of the several hundred companies interviewed reported that such diversification accounted for at least 40 percent of their annual sales. In the shipbuilding, cotton spinning, textile machinery, fertilizer and motorcycle industries—all either in decline or having reached the limits of possible growth—the shift involved more than 70 percent of their sales.*

### "Keeping Up with the Times"

Today, typically, a leading camera maker is making inroads in the personal computer field, computer makers are producing pocket television sets, a sewing machine maker is becoming better known for its typewriters, a major automobile maker is building private homes, while another produces space rockets, and a petrochemical firm is breaking new ground in pharmaceuticala and electronic parts. The list really is endless.

All these developments are part of a deliberate management policy to stay abreast of the times, shifting out of aging industries that have seen their best days, into the high-tech areaa that are juat beginning to enjoy their own, and coping with the constant changes in the global marketplace. The 15 companies interviewed for this series typify this approach. They have in common a desire to create new business opportunities—although each has a slightly different reason for doing so.

It might be a realisation that public tastes are changing and a company must switch directions, preferably by predicting far ahead which way public taste is going to swing, or because existing products have been outdated hy a quantum leap in technology. This is especially true in the electronics and computer fields, where companies reckon themselves lucky to gain a lead of a few months on the competition. Another consideration may be making better use of the company's expertise in one particular area—say, precision engineering—or of achieving greater utilization of production facilities, as well as achieving a more attractive spread of products that can be marketed through the same retail sales outlets.

Yamaichi Securities Co., Ltd.
The Sumitomo Bank Limited
Minolta Camera Co., Ltd.
Epson Corporation
Mitsubishi Electric Corporation
Daiwa Securities Co. Ltd.
Casio Computer Co., Ltd.
Hitachi, Ltd.
Brother Industries, Ltd.
Nissan Motor Co., Ltd.
Hitachi Maxell, Ltd.
The Fuji Bank, Ltd.
C. Itoh & Co., Ltd.
Ricoh Company, Ltd.

### "Revolution Underway in Financial Services"

But diversification is not just limited to the manufacturing sector. The financial services industry—banks and securities houses—face an equal challenge from the revolution underway in communications and information-processing technology, combined with government moves to regulate the domestic financial and capital markets. The latter has blurred the old, tight distinctions between the various types of services that a hank or brokerage firm could offer, opening up prospects for intensified competition between them and the foreign companies who are gaining increasing access to the markets. Banks this year will be able to stray across into former forbidden territory by trading in government bonds, while securities companies are *responding* to *the encroachment* through various ingenious investment vehicles that combine features of traditional bank deposit accounts. On all sides there is an intense effort to prepare for the era of the "information society" which is now beginning to open up in Japan, offering such services as "home hanking" and "home brokerage" through new developments in home computers and in communications systems such as cable television, videotext services and fiberoptics.

In the services sector, also, there are drastic changes evident among the famous "Sogo Shosha," the general trading companies who played a leading role in the postwar Japanese economic miracle. But a changing business environment has reduced their traditional role as trade middlemen, handling the import of raw materials for Japanese industry and the export of its finished products. Today, the Sogo Shosha are more and more involved in third-country trade, bypassing Japan entirely. Their operations are global in scope. They are the organisers and financiers of multinational construction and natural resources exploration and development projects. They are also making their own products, rather than simply selling other people's as in the past. Some of the trading firms now have important interests in such high-technology fielda aa developing new materials, biotechnology, computere, and new communications systems such as those utilizing fiber-optics. Rather than wait passively for business to come their way, the Sogo Shosha are in the front line creating the industries of the future.

### "Japan's New Wave of Multinationals"

Internationalisation of operations is certainly one of the most significant aspects of diversification for a great many Japanese companies in the 1980's. Just as American firms went multinational, moving strongly into Europe in the immediate postwar era and assuming a clear local identity that blurred their origins quite effectively, so are the Japanese now creating their own multinational era. Some Japanese companies have been manufacturing their products in Europe since the late 1950's. Others are just moving in this directioo, spurred in part—but only part—by the pressures of trade friction and protectionism emerging in many European countries. Many Japanese managements now have set clear corporate goals to create overseas operations that will enjoy a large degree of autonomy. They will be self-supporting, even to the extent of having their own R and D functions to create products that are better suited to the local markets than those manufactured in Japan for export.

In the financial services sector, Japanese hanks and brokerage firms have had a strong European presence, largely centered on London, for a long time. One of the attractions has been a chance to engage in business activities forbidden in Japan—such as securities firms setting up merchant banks. As a result, the companies have been able to gain considerable expertise in these areas which will stand them in good stead as the domestic sector is liberalised to allow similar activities. At the same time, the hanks and securities firms have forged important alliances with European companies which have provided the latter with an opportunity for greater access to the Japanese capital markets.

In the manufacturing sector, too, there are exciting opportunities opening up for European companies from the advance of the Japanese to multinational status. The Japanese are looking for partners with whom they can engage in joint production or in technological and product licensing exchanges. This could prove a stimulating challenge for European companies, whose technological expertise is often superior but is often not translated into full commercial success due to lack of capital or marketing opportunities.

Fascinating new opportunities are also presented by a Japanese willingness today to hand over some of the control of overseas operations to locally hired staff. Increasingly, senior managerial and production overseeing positions are being held by such recruits, who are enjoying the stimulation of working for foreign companies willing to give them their head. In the long run, this may prove to be the most important feature of Japan's current bueiness diversification—exposing the business and political communities on both sides to new ideas and promoting better understanding.

**Reprinted sets of series are available to a limited number of readers.**
**Write to: Overseas Advertisement Department, Financial Times, Bracken House, 10 Cannon Street, EC4P 4BY**

# UK NEWS

## Bathgate sit-in 'may hasten closure'

BRITISH LEYLAND yesterday warned workers who have occupied the truck plant at Bathgate, near Edinburgh, that they could bring about the early closure of the works. Mark Meredith writes.

Leyland has announced the phased shutdown of Bathgate over two years because of the fall in the export market which it served. It will mean the loss of all 1,800 jobs.

Yesterday the workforce endorsed a sit-in to block the movement of components to other Leyland plants and force the company to reconsider its plans.

Management said the occupation would not achieve anything or bring back orders. "It could mean the early closure of the plant and jeopardise the enhanced redundancy payments," a company statement said.

● KRONOSPAN, a Swiss-based chipboard manufacturer, is to invest a further £10m in its plant in North Wales. The move will create 95 new jobs. Chipboard capacity at the plant, which currently employs 300 people, will be raised by 50 per cent and that of melamine facing material by 40 per cent.

● MELCO LABS, a U.S. supplier of telephone systems, is to set up a development and manufacturing site at Hull, North Humberside. The company, based in Seattle, manufactures small electronic switchboards, paging and intercom systems.

● BRITISH CALEDONIAN, the independent airline which is the biggest single user of Gatwick Airport, near London, wants to see a second runway built at the airport. It has told a House of Commons committee on transport that the runway is needed to avoid constraints on the airline's development.

● ASDA, the Associated Dairies supermarket business, will be the first UK food retailer fully to introduce the use of credit cards for purchases at its 76 stores.

● PLEAS to the Government from the construction industry urging it to postpone the application of value added tax on building alterations and extensions have been rejected.

● LEADERS of six metropolitan councils which face abolition by the Government are organising an appeal to the European Court of Human Rights.

## Shareholder claims over nationalisation rejected

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

SHAREHOLDERS of companies nationalised under the 1977 Shipbuilding and Aircraft Industries Act have been dealt a sharp blow by the decision of the European Commission of Human Rights that the level of compensation they were paid by the British Government did not amount to a violation of their human rights.

The commission in Strasbourg rejected, unanimously or by varying majorities, complaints that the UK Government had infringed Article 1 of the First Protocol to the Human Rights Convention, which guarantees property rights, or other Articles under which the aggrieved shareholders brought their claims for increased compensation.

Shareholders had been fairly confident of a favourable ruling by the commission. Sir John Rix, chairman of Vosper, which received £5.3m compensation and claimed £35m, spoke last year of "further encouraging progress" being expected in the Strasbourg claim.

He, and the other shareholders can, however, draw some comfort from the fact that, despite having rejected the claims, the commission has decided to refer the case to the European Court of Human Rights.

The commission has given no reasons for the reference, but it is fair to speculate that it was influenced by the massive amount of money involved, by the fact that it is the most important case brought against the UK, and by a desire to have a court ruling on the commission's approach to Article 1, under which an increasing number of claims are being made.

When the case goes to the Strasbourg court – probably not before next spring – they will be pinning some hopes on the precedent of a Swedish case over property rights in which the commission ruled against the applicants by a very large majority but the court narrowly took the opposite view.

Seven applications are involved in the shipbuilders' case. Those concerned are Sir William Lithgow, who held a substantial shareholding in John G. Kincaid & Company; Vosper, in respect of its subsidiaries Vosper Thornycroft (UK) and Vosper Shiprepairers; English Electric Company and Vickers, who jointly owned British Aircraft Corporation (Holdings); Vickers in respect of its subsidiary Vickers Shipbuilding Group; Yarrow, which owned Yarrow (Shipbuilders); and Dowsett Securities, FFI (UK Finance) and The Prudential Assurance Company, who were joint owners of Brooke Marine, an East Anglian shipbuilding company.

They claim that the compensation they received on nationalisation was grossly inadequate and discriminatory.

## Europeans buy more videos but sales peak in UK and Germany

BY CARLA RAPOPORT

EUROPEANS are watching more television, especially video-recorded programmes, and listening less to music, according to a new survey on consumer electronics.

The survey, to be published this month by Euromonitor, the London-based research group, points to a similar trend across Europe. Britain, which accounted for nearly a quarter of all European sales of audio equipment in 1978, now accounts for only 17 per cent.

Sales of audio equipment in Europe overall have shrunk from 6.3m units in 1978 to 5.2m units last year. The decline in sales last year was the steepest of the five-year period, showing a 7.4 per cent decline.

While the European market for video recorders is still climbing, sales of videos have apparently peaked in the UK and West Germany.

In Britain, the decline in the video cassette market is beginning to take hold. According to AGB Home Audit, a UK-based consumer research organisation, sales of video recorders were "very substantially" down in the first quarter of 1984, compared with the same period in 1983. Sales last year had already declined by 8 per cent, according to AGB, with the fall in sales coming through in the second half of the year.

The number of videos in use in Europe is about 17.4m, with sales last year at 6.4m units. The increased popularity of videos in Europe has fuelled demand for colour televisions. Sales of black and white televisions have been declining since 1978 but sales of colour sets last year were 13.3m, compared with 10.3m in 1978.

The total European market for consumer electronics was worth about $19.2bn in 1982. Of this, about 40 per cent was spent on televisions, 22 per cent on video and the rest on audio equipment.

The largest market in value terms in West Germany, with sales of about $4.4bn a year. The UK is the next largest market for these goods with $4.1bn, well ahead of France at $3.4bn.

In per capita terms, the heaviest European spenders on consumer electronics are the Swedes, followed by the West Germans and British.

Despite the decline in sales of audio equipment, the report predicts strong growth for compact disc players. It forecasts that discs will become the principle music playing medium by the end of the decade. By 1986, it expects that 2.7m disc systems will have been sold in Europe with strong demand from Britain, West Germany, Sweden and the Netherlands.

The next few years, the report suggests, will see a range of new disc products, such as in-car disc and personal disc systems.

Euromonitor predicts that video discs will not have much success in Europe, having been launched too soon after video cassette recorders to attract widespread interest.

*Consumer Electronics in Western Europe, 1984. Euromonitor Publications, 18 Doughty Street, London. £360.*

## Committee calls for Sleipner decision

BY DOMINIC LAWSON

THE HOUSE of Commons Select Committee on Energy has urged the Government to make a prompt announcement on its attitude to the proposed £20bn acquisition by British Gas of gas supplies from Norway's Sleipner field.

In a report published yesterday, the committee says that "it would be most unsatisfactory if the deal were to fall through solely as a result of administrative delay."

The committee also berated the Government for its refusal to submit any evidence to the committee. However, Mr Lloyd said that he had decided not to exercise the right to demand submissions from the Department of Energy, after a letter from Mr Peter Walker claimed that to do so could handicap any future British negotiations with Norway.

A decision by the Government seems most unlikely before next week. The Norwegian parliament, rises on June 7, so even if the deal was fully endorsed by the UK Government, it seems that Norway could not set the seal on the deal until the autumn session of its parliament.

## Funds sought for cars project

Financial Times Reporter

A £500,000 funding operation is under way aimed at launching small-scale car production in Bradford, Yorkshire. Naylor Cars, whose managing director is Mr Dennis Austin, a former Lotus chief executive, has already invested £150,000 in building replica versions of the MG TF, the famous sports car of the 1950s.

Mr Naylor intends to build 200 cars a year with a retail price of just under £13,000.







## Company Notices

### SOLVAY & Cie

Société Anonyme
Registered Office:
33, rue du Prince Albert, Ixelles (Brussels)
Commercial Register Brussels No. 5534

Shareholders are invited to attend the Ordinary General Meeting which will be held on Monday 4th June 1984 at 10 a.m. at the Head Office.

AGENDA

1. Reports of the Board of Directors, the College of Commissaires and the External Auditors on the operations of the financial year 1983.
2. Approval of the Annual Accounts for the financial year 1983—Appropriation of the profits and determination of the dividend.
3. Ratification of the acts of the Directors and Commissaires during the above-mentioned financial year.
4. Board of Directors:
   a/ Reduction of the number of Directors from fourteen to thirteen as Mr. Jacques Virtot does not seek re-election.
   b/ Appointment of two Directors. Messrs Jacques Solvay and Paul Washer retire be rotation and are re-eligible.
   c/ Appointment of a Director to replace Mr Paul-Emmanuel Janssen, who has tendered his resignation.
5. College of Commissaires:
   a/ Appointment of a Commissaire. Baron Guillaume du Gley retires be rotation and is re-eligible. Determination of the emoluments of the said Commissaire.
   b/ Appointment of an External Auditor. Mr. André Hoste retires be rotation and is re-eligible. Determination of the emoluments of the said External Auditor.
6. Solvic S.p.A.
   a/ Approval of the Board of Directors' decision to merge the Italian limited company "Solvic — Industria delle Materie Plastiche" S.p.A. (hereinafter called Solvic S.p.A.) into Solvay & Cie on the basis of their respective assets and liabilities position as at 31st March 1984: thereby, Solvay & Cie shall take over all assets and liabilities of Solvic S.p.A. including any rights or obligations arising after 31st March 1984.
   b/ Acknowledgement of the fact that the merger shall be implemented without modification of Solvay & Cie's equity capital and with cancellation of all the shares representing Solvic S.p.A.'s equity capital, in view of the fact that all these shares are already owned by Solvay & Cie, namely through its Italian branch.
   c/ Granting of powers to implement the merger in conformity with Italian law and to conclude the merger arrangement pursuant to article 2504 of the Italian Civil Code.
7. Miscellaneous.

The documents referred to in Article 78 of the Belgian Company Law, as well as the assets and liabilities positions as at 31st March 1984 mentioned order item 6 a/ above, will be available to the shareholders, at the Head Office, fifteen days before the General Meeting.

The Board of Directors wishes to remind shareholders who are holders of bearer shares that their attendance at the meeting is subject to their shares being temporarily lodged, and blocked, at the Head Office or with any of the following banks not later than Tuesday 29th May 1984:

—in Belgium:
Société Générale de Banque
Banque Bruxelles Lambert
Kredietbank
—in Germany:
Deutsche Bank
—in France:
Lazard Frères & Cie
Banque de la Mutuelle Industrielle
—in Italy:
SPAFID
—in the Grand Duchy of Luxembourg:
Banque Generale du Luxembourg
—in the Netherlands:
Algemene Bank Nederland
—in the United Kingdom:
J. Henry Schroder Wagg & Co. Ltd.
Banque Belge Ltd.
—in Switzerland:
Credit Suisse

The above-mentioned foreign banks have the option to appoint other establishments in their respective countries where Solvay shares may also be lodged in conformity with this requirement. The list of these establishments will be published in due course in each country.

On the other hand shareholders, who hold registered shares, ought to inform the Company in writing, not later than Tuesday 29th May 1984, of their intention to attend the meeting, indicating also the number of shares held.

According to Article 38 of the Articles of Association, proxies should also arrive at the Head Office not later than Tuesday 29th May 1984.

The debenture holders who would wish to attend the meeting are asked to observe the same formalities as those prescribed for the shareholders (Art. 37 of the Articles of Association).

THE BOARD OF DIRECTORS

### NOTICE TO BONDHOLDERS
### CITY OF COPENHAGEN

8¼% 1979/1991 BONDS
25,000,000 EUROPEAN UNITS OF ACCOUNT

Pursuant to the provisions of the Purchase Fund, notice is hereby given to Bondholders that nominal UA 955,000 have been purchased for the Purchase Fund during the twelve-month period from May 15, 1983 to May 14, 1984.

Amount outstanding:
UA 19,620,000.

The Fiscal Agent
KREDIETBANK
S.A. Luxembourgeoise

May 25, 1984.

### INTERCOM

SOCIETE INTERCOMMUNALE BELGE DE GAZ ET D'ELECTRICITE
Société Anonyme
place du Trône 1, Brussels, Belgium

NOTICE IS HEREBY GIVEN that the dividend for the financial year ended December 31, 1983 will be payable from May 22, 1984, net of Belgian withholding tax, against presentation of coupon No. 33, at BEF 166 to each of the 23,763,688 old shares and at BEF 177.06 to each of the 3,608,876 shares with fiscal advantages and entitled to dividend right as from January 1, 1983. Coupons should be lodged for payment at the current rate of exchange at the offices of:

—MIDLAND BANK plc.
International Division,
P.O. Box 161, 110/114, Cannon Street, London, E.C.4.
—BANQUE BELGE LIMITED,
4, Bishopsgate, London, E.C.2.
—BANQUE PARIBAS,
33, Throgmorton Street, London, E.C.2.
—BARING BROTHERS AND CO. LIMITED,
88, Leadenhall Street, London, E.C.2.
—HILL, SAMUEL AND CO. LIMITED,
100, Wood Street, London, E.C.2.

By virtue of the bilateral tax convention between the United Kingdom and Northern Ireland on the one hand, and Belgium on the other hand, withholding tax on dividends is limited to 15%.

Shareholders residing in the United Kingdom and Northern Ireland are entitled accordingly either to reclaim tax paid in excess of 15%, or by prior arrangement through their bankers to have the deduction of tax limited to 15%.

In either case, arrangements should be made through the shareholders and bankers.

15.6.1961:
2979-2980
15.6.1962:
10459
15.6.1963:
6302-6305; 8336-5365
9186-9187; 9191-9193; 9196;
9223-9226; 6238; 9263-9266

Amount remaining outstanding after June 15, 1984:
U.S.$1,149,000 represented by 882 bonds of U.S.$1,000; 1,148 bonds of U.S.$250.

BANQUE INTERNATIONALE A LUXEMBOURG
Société Anonyme
Trustee

Luxembourg,
May 30, 1984.

### TENDERS FOR GREATER LONDON BILLS

1. The Greater London Council hereby give notice that Tenders will be received at the Securities Office, Bank of England, London, EC2R 8AH, on Monday, 4th June, 1984, at 12 noon for Greater London Bills to be issued in conformity with the Greater London Council (General Powers) Act, 1967, to the amount of £25,000,000.
2. The Bills will be in amounts of £5,000, £10,000, £25,000, £50,000, £100,000 or £250,000. They will be dated Thursday, 7th June, 1984, and will be due 91 days after date, without days of grace.
3. Each Tender must be for an amount not less than £25,000, and must specify the net amount per cent. (being a multiple of one halfpenny) which will be given for the amount applied for.
4. Tenders must be made through a London Banker, Discount House or Broker.
5. The Bills will be issued and paid at the Bank of England.
6. Notification will be sent by post, on the same day as Tenders are received, to the persons whose Tenders are accepted in whole or in part and payment in full of the amounts due in respect of such accepted Tenders must be made to the Bank of England, by means of cash or by draft or cheque drawn on the Bank of England, not later than 1.30 p.m. on Thursday, 7th June, 1984.
7. Tenders must be made on the printed forms which may be obtained either from the Bank of England, or from the Council's Offices at The County Hall.
8. The Greater London Council reserve the right of rejecting any Tenders.

J. E. G. CROCKFORD.
Director of Finance.

The County Hall,
London SE1 7PB.
25th May, 1984.

### PIONEER ELECTRONIC CORPORATION

NOTICE IS HEREBY GIVEN to holders of CDRs issued by Caribbean Depositary Co., N.V., Curacao, evidencing shares in the above company that the "Second quarter report 1984" of Pioneer Electronic Corporation may be obtained from:

Pierson, Heldring & Pierson N.V.,
Herengracht 214
Amsterdam
and
The Bank of Tokyo Ltd.,
established in: Tokyo, Bruxelles, London, Dusseldorf, Paris and New York.

PIERSON, HELDRING & PIERSON N.V.

Amsterdam,
May 21, 1984.

### BARLOW RAND LIMITED

(Incorporated in the Republic of South Africa)

7% UNSECURED NOTES 1975/1984
("The Notes")
TENTH CAPITAL REDEMPTION

NOTICE IS HEREBY GIVEN that the tenth capital redemption, being 1/10th of the capital amount of the Notes outstanding at 1 July 1974, will be paid to the holders of the Notes who are registered in the company's register of noteholders at the close of business on 15 June 1984. The registers of noteholders in Johannesburg and the United Kingdom will be closed from 16 to 30 June 1984, both dates inclusive.

Capital redemption repayments will be made on 1 July 1984 to those noteholders who have surrendered their certificates to the company's registrars by 30 June 1984. Thereafter, capital redemption payments will be effected against receipt of certificates surrendered and the attention of noteholders is drawn to condition 3(d) on the reverse side of the Notes certificate.

The capital redemption payments will be in the currency of the Republic of South Africa, [illegible] United Kingdom [illegible] the United Kingdom ruling on the first business day after 12 June 1984.

By order of the Board
K. A. BAGG
Secretary
25 May, 1984.

7% UNSECURED NOTES 1975/1984
PAYMENT OF INTEREST

NOTICE IS HEREBY GIVEN that interest at the rate of 7% per annum for the six months ending 30 June 1984 will be paid to the holders of the 7% Unsecured Notes 1975/1984 who are registered in the company's register of noteholders at the close of business on 15 June 1984. The registers of noteholders in Johannesburg and the United Kingdom will be closed from 16 to 30 June 1984, both dates inclusive. Interest cheques [illegible] 1984.

This interest is payable in the currency of the Republic of South Africa, [illegible] United Kingdom currency for the payments to be made [illegible] ruling on the first business day after 12 June 1984.

In terms of the South African Income Tax Act, 1962, as amended, a non-resident's tax of 15% has been imposed on interest payable to debenture holders whose addresses in the register of debenture holders are outside South Africa.

By order of the Board
K. A. BAGG
Secretary
25 May, 1984.

Business Address and Registered Office: [illegible] Sandton 2199 - South Africa | Transfer Secretaries: [illegible] P.O. Box 31719 Braamfontein 2017 - South Africa | United Kingdom Registrars: [illegible] Worthing West Sussex, BN12 6DA England

### THE RIO TINTO-ZINC CORPORATION PLC

NOTICE

To holders of Warrants to Bearer

ORDINARY SHARES OF 25P EACH

NOTICE IS HEREBY GIVEN that a Final dividend of 12.0p per Share will be paid on the 2nd July 1984 in respect of the year ended 31st December, 1983. Payment of this dividend will be made after presentation of Coupon No. 49 at any of the undermentioned offices of payment.

3.5% "B" CUMULATIVE PREFERENCE SHARES OF £1 EACH

NOTICE IS HEREBY GIVEN that a dividend of 1.75p per Share will be paid on the 2nd July, 1984 in respect of the half-year ending 30th June 1984. Payment of this dividend will be made after presentation of Coupon No. 44 at any of the undermentioned offices of payment.

OFFICES OF PAYMENT

The Rio Tinto-Zinc Corporation PLC, (Registered Office), 6 St. James's Square, London SW1Y 4LD.

The Rio Tinto-Zinc Corporation PLC, (Transfer Office), Central Registration Limited, 1 Redcliff Street, Bristol BS1 6NT.

L'Europeenne de Banque, 21 Rue Laffitte, 75428 Paris, France.

Banque Bruxelles Lambert S.A., 24 Avenue Marnix, 1050 Brussels, Belgium.

Societe Generale de Banque, 3 Montagne du Parc, 1000 Brussels, Belgium.

Banque Generale du Luxembourg S.A., 14 Rue Aldringen, Luxembourg.

Banque Internationale à Luxembourg S.A., 2 Boulevard Royal, Luxembourg.

Societe de Banque Suisse, CH 4002 Basle, Switzerland.

Union Bank of Switzerland, Bahnhofstrasse 45, CH 8021 Zurich, Switzerland.

Credit Suisse, Secretariat Z, P.O. Box 8021 Zurich, Switzerland.

Under the imputation tax system in force in the United Kingdom these dividends will be payable without deduction of United Kingdom tax and for Shareholders resident in the United Kingdom, will carry a tax credit calculated by reference to the basic rate of income tax applicable at the date of payment. Where a double tax agreement so provides, Shareholders resident outside the United Kingdom will obtain a tax credit, against which some United Kingdom tax may fall to be offset.

Coupons, which must be listed on special forms, which can be obtained on or after Monday, 4th June 1984 at any of the above offices, may be deposited on or after Monday, 11th June 1984. Coupons presented for payment in the United Kingdom must be left FIVE CLEAR DAYS for examination.

Shareholders should note that under the Company's Articles of Association adopted on 20th May 1970, provision is made for the forfeiture of the above dividends if not claimed within 12 years from the 24th May 1984.

BY ORDER OF THE BOARD,
F. S. WIGLEY
Secretary

6 St. James's Square,
London SW1Y 4LD
25th May, 1984

### PRIVREDNA BANKA ZAGREB

US$50,000,000

Floating Rate Notes 1978/1986

We inform Bondholders that the US$5,000,000 instalment due for amortization on June 20, 1984 has been met by a draw by lot.

Considering 5,000 bonds are to be redeemed and the draw must be made by series with a maximum of 16 bonds, one series of 10 in every two series was taken up and the following bonds are called for repayment with their coupons payable in December 1984 and subsequents attached:

| | | | |
|---|---|---|---|
| 7478 to 7486 | 7497 to 7506 | 7517 to 7526 | 7537 to 7846 |
| 7557 to 7366 | 7577 to 7586 | 7597 to 7606 | 7617 to 7626 |
| 7637 to 7646 | 7657 to 7666 | 7677 to 7686 | 7667 to 7706 |
| 7717 to 7726 | 7737 to 7746 | 7757 to 7766 | 7777 to 7706 |
| 7797 to 7806 | 7817 to 7826 | 7837 to 7846 | 7857 to 7666 |
| 7677 to 7886 | 7897 to 7906 | 7917 to 7926 | 7937 to 7946 |
| 7937 to 7966 | 7977 to 7986 | 12997 to 13066 | 13017 to 13026 |
| 13037 to 13046 | 13057 to 13086 | 13077 to 13086 | 13097 to 13106 |
| 13117 to 13126 | 13137 to 13146 | 13137 to 13166 | 13177 to 13166 |
| 13197 to 13206 | 13217 to 13226 | 13237 to 13246 | 13257 to 13266 |
| 13277 to 13286 | 13297 to 13306 | 13317 to 13326 | 13337 to 13546 |
| 13357 to 13366 | 13377 to 13386 | 13397 to 13406 | 18417 to 13426 |
| 13437 to 13446 | 13457 to 13466 | 15477 to 13406 | 13497 to 13506 |
| 13517 to 13526 | 13537 to 13546 | 13557 to 13566 | 13577 to 13586 |
| 13597 to 13606 | 13617 to 13626 | 13637 to 13646 | 13637 to 13666 |
| 13677 to 13686 | 13697 to 13766 | 13717 to 13736 | 13737 to 13746 |
| 13757 to 13766 | 13777 to 13780 | 13797 to 13606 | 13817 to 13626 |
| 13637 to 13846 | 13857 to 13866 | 13877 to 13606 | 13897 to 13906 |
| 13917 to 13926 | 13937 to 13946 | 13957 to 13966 | 13977 to 13986 |
| 13997 to 14006 | 14017 to 14026 | 14037 to 14046 | 14057 to 14066 |
| 14077 to 14086 | 14697 to 14186 | 14117 to 14126 | 14137 to 14146 |
| 14157 to 14166 | 14177 to 14186 | 14197 to 14206 | 14217 to 14226 |
| 14237 to 14246 | 14257 to 14366 | 14277 to 14286 | 14297 to 14306 |
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| 14637 to 14846 | 14657 to 14668 | 14677 to 14686 | 14897 to 14706 |
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| 14797 to 14806 | 14817 to 14626 | 14657 to 14846 | 14857 to 14862 |
| 14677 to 14886 | 14897 to 14966 | 14917 to 14936 | 14937 to 14946 |
| 14957 to 14966 | 14977 to 14986 | 14997 to 15006 | 15017 to 15026 |
| 15037 to 15646 | 15657 to 15066 | 15077 to 15086 | 15097 to 15106 |
| 15117 to 15126 | 13137 to 15146 | 16157 to 15166 | 13177 to 15160 |
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| 17337 to 17366 | 17377 to 17386 | 17397 to 17406 | 17317 to 17428 |
| 17457 to 17446 | 17457 to 17466 | 17477 to 17466 | 17497 to 17806 |
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| 19517 to 19529 | 19537 to 15546 | 19557 to 15568 | 19577 to 19586 |
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| 19757 to 19786 | 19777 to 19766 | 19797 to 19806 | 19517 to 19826 |
| 19837 to 19846 | 19857 to 19868 | 19877 to 19888 | 10897 to 19906 |
| 19917 to 16926 | 16637 to 19936 | 19957 to 19968 | 19977 to 19986 |
| 19997 to 20006 | 20017 to 20026 | 20037 to 20046 | 20057 to 20066 |
| 20077 to 26086 | 20097 to 36108 | 26117 to 26126 | 20137 to 20148 |
| 36157 to 26168 | 20177 to 26166 | 20107 to 26268 | 26217 to 20226 |
| 36237 to 20346 | 20357 to 26266 | 26277 to 20286 | 20267 to 20306 |
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| 22157 to 22188 | 22177 to 22186 | 22197 to 22206 | 22217 to 22228 |
| 22237 to 22346 | 22257 to 32286 | 22277 to 22206 | 22297 to 22306 |
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| 22397 to 22406 | 22417 to 22426 | 22437 to 22446 | 22457 to 22466 |
| 22477 | | | |

The following Banks will carry out the redemption of the bond and the payment of interests due on June 20, 1984.

CREDIT LYONNAIS - Luxembourg. CITIBANK N.A. - New York
SOCIETE GENERALE - Paris

Amount remaining in circulation after this 6th instalment:
US$25,000,000

The Fiscal Agent
CREDIT LYONNAIS - LUXEMBOURG

The partnership at work with a customer. Left to right: Chase Senior Vice Presidents, Mike Urkowitz, Corporate Operations; Bill Kaufmann, Trade Finance; Bob Lichten, Investment Banking; Bill Foulke, International Banking; Jim Borden, Treasury; David Banks, Corporate Banking.

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**The Chase Partnership**

CHASE

Global Network  Investment Banking  Electronic Banking  Treasury Expertise
Industry Understanding  People

# MANAGEMENT

EDITED BY CHRISTOPHER LORENZ

Akzo

## A ruthless search for recovery

**Walter Ellis reports on the restructuring of the Dutch chemicals and fibres group**

Arnout Loudon: a blast of clear leadership

IT WAS in the spring of 1982 that the top management of Akzo, the Dutch chemicals and fibres group, decided finally enough was enough. The evidence was all around to show that results for the year would be among the worst ever. And so it proved. Net profit for 1982 fell by 31 per cent to Fl 165m (£38.5m), with man-made fibres, particularly in the U.S., a continuing liability. Group sales, at Fl 14.2bn, were stagnant.

With the grim statistics building up, one far-reaching decision was taken. The board of management, a ponderous construction of 11 members, was cut to just four, and the resulting "war cabinet" at once devised an all-out assault on waste, overmanning and faltering and misdirected investment.

Arnout Loudon, Akzo's chairman, headed the new set-up, together with three colleagues responsible respectively for fibres, chemical products and consumer goods. Of the old board, three were due for retirement while the remaining four agreed—or were persuaded to agree—to becoming department heads. The bloodless coup did the trick. Minds were concentrated, lines of communication were shortened and expertise was brought to bear on clearly defined targets.

The recovery that followed was as dramatic as the decline had been steep. Results for 1983 showed a 160 per cent rise in earnings, to Fl 428m, with sales up 7 per cent to a record Fl 15bn. (Of course, Akzo has not been alone in the chemicals world in recording impressive results recently. Britain's ICI, for example, which has similarly benefited from organisational reform, raised its net earnings for last year by 150 per cent to £418m.)

Loudon, who referred in a speech to shareholders last months to the "ruinous consequences" for the company of a collapse of the fibres market in the 1970s, had good reason to be pleased. By setting up a rapid-response board, advised by a sectionally organised management committee, he had provided a blast of clear leadership at a crucial time.

This week, with the management revolution nearly two years old, first quarter results were announced which confirmed the pattern of recovery—earnings jumped from Fl 57m to Fl 200m on sales up 15 per cent to Fl 4.2bn. Loudon is looking ahead to further growth for the rest of 1984.

While strong medicine began to be administered two years ago, a reappraisal had been underway since 1975 after increasing competition in fibres from the Third World, and especially the Far East, coupled with the general effects of the world economic recession, had exposed the considerable inefficiencies in the company's structures and production. Until that point, Akzo—the smallest of the Big Four Dutch (or Anglo-Dutch) multinationals among Royal Dutch/Shell, Unilever and Philips—had been a consistently sound investment.

Problems were at their starkest in fibres, but there were difficulties, too, in the other key areas: chemicals, coatings, pharmaceuticals and consumer products. The Netherlands, not surprisingly, is the biggest market for Akzo, providing one-third of sales and more than a quarter of total operating income in 1983. Yet the U.S. and West Germany, with between them almost half of sales and some 38 per cent of operating income, were at the heart of the fibres operation and needed urgent attention. The dilemma for management was international.

### Misguided

It was commonplace among fibres manufacturers in the 1970s to point out that the vast expansion of production that had taken place in the previous decade, particularly in Europe and the U.S., had been misguided. Subsidiaries and factories that had been opened with much fanfare in the 1960s were faced with unceremonious closure. Regions like Northern Ireland, which appeared set at the time to become major centres of a dynamic industry, saw their hopes dashed as sales contracted.

The European fibres agreement signed by the 10 largest European producers in 1982 provided for cuts in synthetic textile and carpet fibre capacity by some 500,000 tonnes over a three-year period and gave Akzo the impetus it required to carry on the rationalisation programme initiated in fibres in 1975. A large Enkalon plant in County Antrim was shut down, amid much bitterness, and another factory was closed in Breda, in the Netherlands. This summer, the European slimdown is due to be completed with the closure of Enka's Kassell plant, in West Germany. Enka Austria was taken over last year by the Austrian state.

Fibres as a whole, including the West European divisions of Enka, also came back from a 1982 loss of Fl 19m to a 1983 profit of Fl 151m, with further improvements, "at an accelerated rate, he predicted.

As a result of the rather ruthless programme, textile fibres and carpets now account for only 6 per cent of group sales, compared with 18 per cent in 1974. Loudon is pleased with how things have gone, but notes that "in certain member nations of the European Community, the still existing excess capacities in these products will be further increased with Government subsidies."

In the U.S., fibres were only part of Akzo's problem. American Enka was cut back substantially, while its parent, Akzona (the U.S. holding company of Akzo), as a whole was felt to be unwieldy, having lost Fl 24m while employing no fewer than 13,500 workers. It was decided early on to sell Brand-Rex, a Connecticut cables and electronics company, and a concentration of various speciality chemicals and pharmaceuticals activities was undertaken. It was not all a case of divestment: the Wyandotte Paint Company was bought and a fluid-cracking catalyst plant was commissioned. Yet the net effect was a loss of 5,100 jobs, bringing Akzona back to profit and, Akzo hopes, laying the base for higher earnings in future.

### Worst over

Both Akzo and ICI, and indeed chemicals companies generally, have been beneficiaries of the U.S.-led economic recovery. In the Dutch case, Loudon acknowledges his company's debt to America, and especially the "pronounced recovery of the chemicals industry" there. Indeed, since he and his management colleagues had already been gearing up a year ago in anticipation of an American recovery they were proved right.

All in all, Akzo has succeeded since 1975 in cutting back substantially on its manpower while improving efficiency and increasing sales. The 1982 setback, involving a 31 per cent drop in earnings, merely acted as a spur to further use of the knife, bringing fibres and Akzona into line with the requirements of the 1980s. In the last five years, Akzo's workforce round the world has fallen from 83,000 to 66,300, with 7,300 jobs disappearing last year alone. The worst now seems over.

One of the most positive developments of recent years, and certainly the one of which Akzo is most proud, is the invention and production of Aramid yarns, used in such areas as tyre manufacture and said by the company to be lighter than steel and five times as strong. For a time there were legal problems over the new product as Dupont of the U.S. claimed patent rights, but construction of two manufacturing plants, at Delfzijl and Emmen in the Netherlands, is going ahead, while in Oberbruch, in West Germany, a facility for making carbon fibres is getting under way. Akzo feels that these are key products for tomorrow's markets and sees itself as the only producer in the world offering a full range of industrial fibres intended for high-performance use.

A true multinational, Akzo is also heavily involved in chemicals (including salt), chemical products, paints and other coatings and pharmaceuticals of all kinds. Last year, chemicals sales showed most growth, rising in value from Fl 3.8bn to Fl 4.1bn, though with profits up from Fl 89m to Fl 153m, margins are much less than on pharmaceuticals. The average growth elsewhere was between 5 per cent and 10 per cent. From a geographical standpoint, the Netherlands home base performed best, recording a sales increase from Fl 4.5bn to Fl 5.1bn for the year, while in the U.S. the increase was from Fl 3bn to Fl 3.4bn.

The current year should see a substantial rise in capital investment by Akzo. Loudon noted in the preface to this year's annual press conference that some Fl 900m had been earmarked for projects this year, and the Fl 300m rise in share capital scheduled from the latest rights issue should make future funding that much easier.

Akzo's president is obviously in buoyant mood. So long as the crucial U.S. economy does not enter an unexpected downturn, Akzo's impressive return to growth appears set to continue. For the trade unions, it has been a time of trial; for the management a trial of strength. Those still employed, and the group's shareholders round the world, can now perhaps enjoy the fruits.

British Airways

## Putting on a human face

**Alan Pike on personal training**

BRITISH AIRWAYS is relying upon more than its Saatchi & Saatchi advertising image to establish itself in the minds of customers as the world's favourite airline.

All the staff who have any contact with the public—whether as captains chatting in flight over the intercom or as telephonists handling initial booking inquiries—are currently being put through a training programme entitled "Putting People First."

"The title is significant. It deliberately refers to putting people first rather than putting customers first. We want to remind our staff that their colleagues are people, and the way employees treat each other is just as important as their treatment of customers," says Colin Marshall, chief executive of British Airways.

Putting People First is not an expensive means of getting the airline's staff to mutter a lot of artificial, pre-programmed "have a nice day" type incantations. It is intended to help thousands of individuals to use their individuality as a tool in their jobs.

At present around 14,000 pilots, cabin crew, check-in staff and all other employees who deal with customers are attending the courses.

British Airways is already sufficiently pleased with the results to be considering offering a modified version of Putting People First to the remainder of its staff who do not have regular customer-contact. And Colin Marshall takes the exercise so seriously that he makes time to visit and address most of the course sessions, flying to British Airways locations throughout the world in order to do so.

The course—one of the largest of its type ever awarded to a training consultancy in the UK—is being run for British Airways by Time Manager International. TMI, which has its origins in Denmark, carried out a similar exercise for SAS, the Scandinavian airline, as part of its recent restructuring under chief executive Jan Carlzon.

"SAS found itself facing a major reorganisation and looking for a new image," says Chris Lane, TMI's managing director in the UK. "It rightly decided to train its people first and repaint the aircraft afterwards."

British Airways staff spend two days on Lane's courses in groups of up to 145. Each group contains a complete spread of jobs within the airline — important because, although British Airways is a large organisation, many employees work in relative isolation from colleagues doing different types of job.

Lane and his colleagues from TMI, working with members of the airline's own training staff, spend the two days getting the groups thinking about such a rich mixture of subject-matter as brain functions, control of stress, body language, assertiveness and positive versus negative thinking.

Some people, Lane admits, approach the courses suspecting that they will be a waste of time. But many agree afterwards that they have been given new insights into the role of employees in a service industry, and picked up ideas about human relations which can be helpful in their private lives as well as at work.

"Many of these people have been given excellent technical training, but they have not been trained to create the best possible link between the airline and the customer," says Lane.

"Pilots, cabin crew, check-in staff and sales reps have a lot more effect on the public's image of British Airways than any manager will ever have. We need to help these people express their own personalities in their jobs. This is not really training so much as motivation. People who feel good about themselves produce good results."

Lane is impressed by the extent to which Colin Marshall—whom he praises as "a people man who leads from the front: a visible manager"—is contributing personally to the courses.

There is good reason for this. Putting People First dovetails with some strongly-held views on Marshall's part about managerial leadership. The course tries to tell British Airways staff that the way they treat each other is as important as their handling of customers. Marshall, meanwhile, is trying to spread a similar message among his colleagues.

"In an industry like ours, where there are no production lines, people are our most important asset and everything depends upon how they work as part of the team. This means that to get the best results managers have to care about how people live and function, not just about how they work and produce."

Marshall is convinced that the UK education system is failing to produce people with the skills of managerial leadership which he is seeking. "The system is superb at turning out analytical minds but it is much less good at turning out potential managers who will be caring leaders, capable of dealing successfully with all kinds of people."

His solution is not simply to wait around hoping that the education system will change. Marshall believes companies must rethink the basis on which they hire, assess and train potential managers—how many organisations are so concerned with individuals' educational and technical qualifications, and previous job experience, that their ability to manage people is not investigated? And reward systems, he suggests, may need to be adjusted so that managers see more clearly that handling people successfully is an essential part of their work.

For British Airways passengers, the benefit of Putting People First will, it is hoped, show in a more attentive, positive attitude from staff. For anyone considering buying British Airways' shares when the airline is privatised, there is the benefit of knowing that some positive thinking is taking place about how a people-based business ought to be managed.

# TECHNOLOGY

EDITED BY ALAN CANE

FRENCH BANK'S STRATEGY FOR INVESTMENT IN HIGH RISK TECHNOLOGY

## Paribas: linking money and genes

BY DAVID MARSH IN PARIS

TRANSGENE, A Strasbourg-based French genetic engineering company, which will be four years old next month, is about halfway along the road towards financial self-sufficiency, according to the man who inspired the venture, chairman Robert Lattès, who is also a director of the state-owned Paribaa Investment Bank.

That the original impulse behind the setting up of France's only independent gene-splicing firm should come primarily from a banker (even one with an erudite background in mathematics and nuclear energy), rather than from a research scientist, says much about France's "cultural lag" compared with the U.S. in promoting growth of small, high technology companies.

"In France, parents and teachers still favour promising children becoming top civil servants. In the U.S., the desire is that they should found a company such as Apple. That makes a big difference," says Lattès.

Through Transgene, Paribus, associated with a clutch of corporate and institutional investors and backed by top French scientific institutes, aims to show that risk capital ventures in expanding technological sectors can indeed succeed—even in the up-to-now unpropitious soil of France.

But, the process will take time. Transgene, which employs 60 researchers and technicians from 11 countries at its new Strasbourg laboratories, knows it has a tough fight on its hands against the superior fire-power of established biotechnology companies like Biogen or Genentech.

The company was set up as a direct result of contacts between Lattès and two biotechnology specialists, Pierre Chamhon, professor at Strasbourg's Louis Pasteur University, and Philippe Kourilsky, chief of the Pasteur Institute's genetic molecular biology unit. The two academics head Transgene's scientific advisory board.

Strasbourg's links with Louis Pasteur, father of modern biotechnology, go back more than 120 years. It was in Strasbourg that Pasteur, in 1857, made his celebrated discovery of the role of yeast in the fermentation of beer. The city was a natural home for Transgene, says managing director Etienne Eisenmann, because of the internationally-oriented scientific environment. Close ties with the Louis Pasteur University are supplemented by links with German and Swiss universities on the other side of the border—particularly with Heidelberg and Basle.

Only around a third of Transgene's 30 researchers are French—roughly one-third are from the U.S. with another third fom the rest of Europe.

Apart from Parihas, Transgene'a other investing shareholders are the Assurances Generales de France Insurance group; food conglomerate BSN-Gervais Daoone; Elf-Aquitaine, France'a biggest oil company; and champagne, cognac and perfume producer Moet-Hennessy. Further share packages have been transferred to French scientific institutes and research organisation and the Louis Pasteur university.

The five groups which have actually put up funds for Transgene are making available FFr 81m for investment over five years. Allowing for exchange rate changes over the period, this adds up to around $13m to $14m, a year says Lattès, a slender amount indeed compared with the figure of $1.5bn for partnerships in biotechnology research and development expected to be placed in U.S. ventures for 1984 alone, according to a recent U.S. Congress report on biotechnology.

Transgene's three industrial shareholders, BSN, Elf and Moet, all have their individual biotechnology R and D programmes. "But we have taken precautions right from the beginning that their role as shareholders should be kept distinct," says Eisenmann. "We do not want to become a captive laboratory."

Transgene aims to live from the business of securing research contracts with outside companies. It adheres to the strict principle of keeping details of client work a secret from board members representing its shareholder companies in cases where the customer believes a conflict of interest could arise.

"Wa have to merit confidence both in the quality of our work and the ability to be discreet," says Eisenmann, terming the relationship with clients similar to that between patient and doctor.

Transgene generally has between five and 10 research contracts running simultaneously, normally for periods of two to four years. Income from outside contracts covered 64 per cent of operating costs for 1983, up from 19 per cent in 1981 and 54 per cent in 1982.

As a key step in Transgene's gradual growth towards commercial maturity, it has just moved into new headquarters from its previous base at the Louis Pasteur university. It now occupies 2,500 sq metres of laboratory and office space just off the city centre in a turn-of-the-century building that used to house power generators for Strasbourg's electricity company.

With the "maturation period" for biotechnology companies now reckoned to be around seven to 10 years, Lattès acknowledges that Transgene will need second-round financing to take it beyond the five-year stage before it can stand on its own feet financially. The funds could come from present shareholders supplemented perhaps by private placements.

In its research into genetic engineering techniques to produce commercially-valuable substances from organic micro-factories built from bacteria and yeasts, Transgene is carrying out exploratory work in a variety of fields including clinical and veterinary medicine, the food industry, industry conversion of biomass and pollution control.

It has mada three publicly-announced breakthroughs so far. These are the cloning of tha gene of interferon-gamma (ona of the types of interferon with much-heralded but as yet commercially unproven virus and cancer-beating properties); the production of a rabies virus protein which could be used to prodnce a new vaccine against the disease; and the cloning of the gene for coagulation factor IX, essential for treating uncontrolled bleeding in patients suffering from hemophilia B.

In its interferon research, Transgene is working under contract with the Franco-German pharmaceuticals groop Roussel Uclaf. The haemophilia factor IX was discoverd as part of research for the Merieux institute which is part of the Rhone-Poulenc group. In both cases, Transgene was pleased to record that neither research contract was with a shareholder company, emphasising the importance of independent work.

Eisenmann admits too some relief that Transgene, in contrast to stock-market quoted U.S. companies, does not have to make an effort to publicise results as soon as a breakthrough is made. The blood coagulation discovery, for instance, was announced in April 1983 around a year after the gene was actually cloned.

"The difference compared with American companies is that we don't have immense reserves of cash," he says. "But because we are operating in a different environment, we can adopt a policy of communication dependent on clients' needs."

He points out that, during the delicate start-up phase, biotechnology companies can face the clear risk, especially if they run into financing difficulties, of being taken over by larger groups anxious to gain access to research.

Transgene's research contracts, which generally bring in around FFr 2m to FFr 5m a year, at present are exclusively with French companies and institutes such as the National Blood Transfusion Centre.

But Transgene bopes soon to conclude research deals with companies outside France. Negotiations are taking place with some U.S. groups, both within and outside the pharmaceutical area, Eisenmann says.

Transgene knows it cannot compete across the board with genetic engineering companies which might employ perhaps 400 to 600 people in scaling up laboratory processes into full commercial projects. But it aims to make its mark in specific commercially-significant niches. In terms of personnel and brainpower devoted purely to research, Transgene "is probably between No 5 and No 10 in the world," says Eisenmann.

"We have to make sure we have a sufficiently attractive menu to attract industrialists. We concentrate all our efforts on producing micro organisms as useful starting stocks for industry. But we don't aim to make commercial quantities—we don't want to disperse our efforts by trying to move to the scaling up stage.

"After all, we have 30 researchers in genetic engineering where other companies might have only three—it shows we are not amateurs."

From top left to right: Vincent Worms, Tom McKinley; below: Robert Lattès, Michel Jaugey of Paribas Technology.

PARIBAS TECHNOLOGY is the San Francisco-based advisor company to an international venture capital fund, started around 2½ years ago, aimed at placing funds from France and other parts of Europe in growing high technology enterpises in the U.S.

The aim, says Robert Lattès, who together with Paribas' Michel Jaugey is one of the fund's two Europe-based principals, is not only to build up a profitable portfolio for investors, but also eventually "to help U.S. companies find the right channels to take a footing in Europe."

Out of Paribas' own portfolio of more than 45 U.S. venture capital investments, many of them in small Californian companies, six or seven are in biotechnology, with the rest spread acoss areas like computer hardware and software and telecommunications.

Paribas launched the initiative in early 1979 with a series of U.S. investments made directly by the Paribas organisation. The initial stake of US$7m placed in nine separate companies is oow worth around US$27m following expansion and, in some cases, public flotation of capital on the U.S. over the counter market. In addition, Paribas has also sold shares worth US$4.5m over the period.

One particularly successful investment has been its stake in Philadelphia-based biotechnology firm Centocor, created in September 1979, which went public in December 1982. Paribas has sold 20 per cent of its initial stake, but still is the largest single shareholder in the company with 15 per cent.

Paribas moved to the second step in its U.S. high-tech ventures with the raising of $28.5m from international investors around the end of 1981. The funds have been placed in around 38 different companies. Paribas itself—either through the French group or its Swiss subsidiary, Paribas Suisse, has a 20 per ceot stake in the fund, with the rest coming from French investors (70 per cent) and other shareholders, mainly in Europe (30 per cent).

Because the fund is still in a relatively early stage, only around three or four of the companies in the portfolio have matured sufficiently to launch shares on the stock market. Additionally, the fund has faced some setbacks, with its early investments including a stake in the Osborne computers group. "Venture capital funds always find out about the losers first," says Lattès philosophically.

Automation

### Executive workstations

THE IMPLICATION of a report from Input, the Californian market research company, is that vendors of "executive workstations" need to tread warily, whether they are offering personal computers, terminals or intelligent telephones.

It reminds vendors that executives can be powerful forces against such systems if their experiences are negative.

The report describes the executive workstation as "a name without a product" and advocates close attention to what exactly is meant by "executive."

Above a certain level of seniority, the report concludes that executives will not be significant users of systems simply because the majority of their time is spent in ordinary communication with their managers—an activity "not greatly aided by executive workstations."

Apparently one vendor in the U.S. encased his workstation in rosewood panelling and sat back to wait for the orders. The few executives who had one were proud to display their "beautiful workstations" but actually had no use for them apart from monitoring their holdings of company shares.

The report assesses user experience, examines current and projected offerings and tries to pin-point executive's needs.

*Executive Workstations: Problems and Opportunities, Input, 1943 Landings Drive, Mountain View, Ca 94043. Phone: (415) 960 390.*

Communications

### Storing calls by computer

STORACALL OF Twickenham has launched Ansamaster 3, a combined telephone and telephone answering machine and has obtained authorisation from the Department of Trade and Industry for its connection to switchboard extensions.

The device allows the user to leave his office and either record a forwarding telephone number or ask the caller to leave a message. It is also possible for the message to be listened to from a remote phone. In normal office use, the unit acts as an ordinary telephone. More on 01-891 3321.



Control

### Optic fibres

AN OPTICAL fibre high intensity local area network from Beale Electronic Systems is being evaluated by British Aerospace. Beale hope that the optical system has applications in control and communication networks for factory automation systems. Fibres are less prone to electrical noise in these environments and thus fewer errors are likely in the transmission of data.

BAe's aircraft division, which is already a user of optical fibre technology, is interested in the local area network for such uses. More information from Beale in Staines, Middlesex on 078481 3115.

Computers

### Telex terminals

USERS of the Series 500 hard disk, multi-terminal system can now attach an Autodial telex facility to their machine. Technology for Business, based in London, UK has developed a system which allows several computer terminals to access outside telex lines. More details 01-837 1271.

Telecoms

### Radio frequencies

THE FUTURE of radio frequencies now used by 405 line black and white television services which will cease to operate on these frequencies at the end of the year is discussed in a consultative document from the Department of Trade and Industry.

The document outlines the future use of the band for mobile communications in the UK. This market is expanding at a rate of 8 per cent a year. The DTI is seeking views by the end of July.

# Pressing ahead

## In touch-at a touch

For Londoners on the move, nothing can touch our amazing new two-way electronic message system.

It's called *Voicebank* and enables you to receive messages and to alert callers to your movements simply by picking up a phone almost anywhere in the world.

At your end, *Voicebank* is invisible. There's no box. No tapes. No switches. And nothing to go wrong. We can even arrange for your Radiopager to bleep the moment a message arrives.

## In emergency -press!

A fire brigade's central control unit can now fully mobilise outlying stations at the touch of a single button.

With our microprocessor-controlled Solent alarm system everything can happen automatically – from radio-paging individual crewmembers to stopping the traffic outside the station.

So far sixteen British brigades have ordered Solent and its life-saving potential is already attracting export interest.

## A to Z in ·39 sec.

A single optic fibre cable (Lightline) could transmit every word of the Encyclopaedia Britannica in ·39 seconds!

Lightlines are now specified for all new trunk cables.

A graphic illustration of the communicative power British Telecom foresight and investment in technology is providing.

**Improving the telephone service**

**Every working day, on average, British Telecom:**
**connects 14,000 new telephones,**
**lays 10 km of optic fibre cable,**
**brings into service one new electronic exchange.**

## The big business machine

Business doesn't come much bigger than Shell. And the machine Shell relies on for business communications is BT Telex.

Their system is fully operational 24 hours a day 365 days a year. A vital link with tankers at sea, cargo terminals, distributors and offices throughout the globe.

Telex today is compact, streamlined and silent. It can be programmed, and it will talk to computers, word processors, data terminals alike.

Small wonder that BT's Telex service handles over 800,000 messages for business customers each and every day.

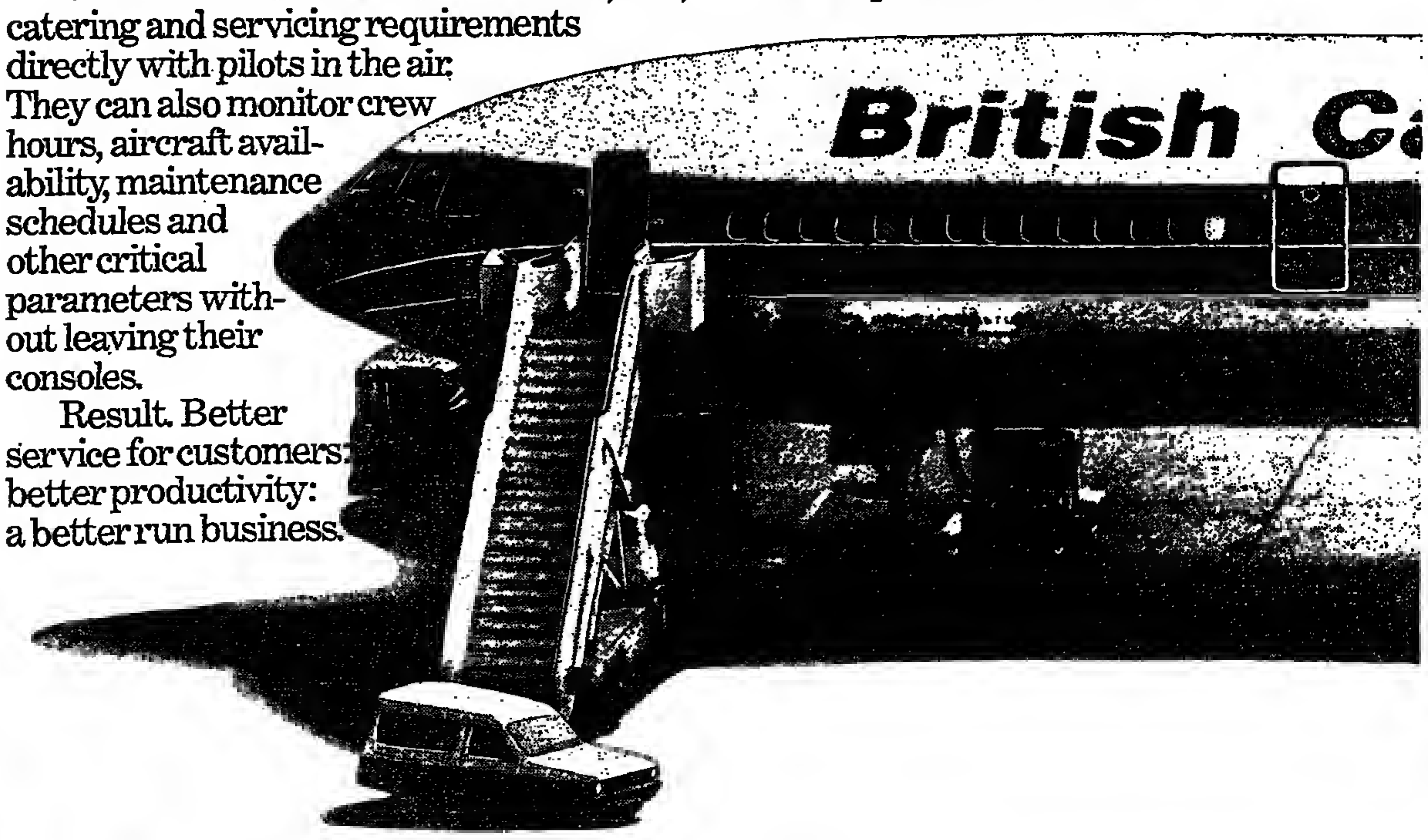
## A better way to run an airline

A British Telecom *Touchdown* system helps British Caledonian's operational control centre at Gatwick to use human and material resources to the best advantage.

Controllers can check arrival times, fuel, catering and servicing requirements directly with pilots in the air. They can also monitor crew hours, aircraft availability, maintenance schedules and other critical parameters without leaving their consoles.

Result. Better service for customers: better productivity: a better run business.

This adaptation of the successful City Business System is an excellent example of the commercial enterprise and knowhow that are expanding the market for British Telecom products and services.




British TELECOM The power behind the button.

# THE ARTS

## Arts Week

| F | S | Su | M | Tu | W | Th |
|---|---|---|---|---|---|---|
| 25 | 26 | 27 | 28 | 29 | 30 | 31 |

## Music

LONDON

**Paco Pena and friends:** Flamenco. Barbican Hall (Mon) (638 8891).
**Royal Philharmonic Orchestra** conducted by Yehudi Menuhin, violin with Alberto Lysy, violin. Bach, Schumann and Vaughan Williams. Royal Festival Hall (Tue) (928 3191).
**London Symphony Orchestra** and Band of the Honourable Artillery Company conducted by Alun Francis with Antony Peebles, piano. Tchaikovsky. Barbican Hall (Tue).
**Philadelphia Orchestra** conducted by Riccardo Muti. Bartok, de Falla and Schubert. Royal Festival Hall (Wed).
**London Mozart Players** conducted by Tamas Vasary with Cecile Ousset, piano. Haydn, Beethoven, Dvorak and Mozart. Queen Elizabeth Hall (Wed). (928 3191).
**London Sinfonietta and BBC Singers** cooducted by Simon Rattle with Cynthia Buchan, mezzo-soprano and Willard White, bass. Harrison Birtwistle, Stravinsky and Tippett. Queen Elizabeth Hall (Thur).
**Ronnie Scott's,** Frith Street: Pianist Monty Alexander and trio. Ends June 2. (439 0747).

PARIS

**Orchestre Colonne** conducted by Antoni Ros-Marba, Michael Rudy, piano: Brahms (Mon). TMP-Chatelet (233 4444).
**José Carreras** recital. Martin Katz, piano: Bellini, Massenet, Turina, de Falla (Mon). Théâtre de l'Athénée (742 6727).
**Orchestre National de France** conducted by Seiji Ozawa. Anne-Sophie Mutter, violin: Ravel, Debussy (Mon). Théâtre des Champs Elysées (723 4777).
**Emile Naoumoff,** piano: Bach, Debussy, Brahms, Naoumoff (Mon). Salle Gaveau (563 2030).
**Catherine Collard,** piano, Orchestre Symphonique du Conservatoire National de St-Maur: Beethoven, Brahms (Mon), Cité Universitaire, 21 Bd Jourdan (589 3869).
**Maurizio Pollini** recital: Chopin, Schumann (Tue). Théâtre des Champs Elysées (723 4777).
**Oliver Gardon,** piano: Schubert, Brahms, Debussy, Dutilleux (Tue). Salle Gaveau (563 2030).
**Hommage to Anton Dolin** (Wed) Théâtre des Champs Elysées (723 4777).
**Arcoes:** Festival choir 1984 (Wed) Salle Pleyel (561 0630).

WEST GERMANY

**Berlin, Philharmonie:** The Berlin Philharmonic Orchestra under Myung-Whun Chung with violinist Wolfgang Schneiderhan. Beethoven and Prokofiev. (Wed, Thur).

ITALY

**Bologna:** Palazzo dei Congressi (Sala Europa): Alexis Weissenberg, piano. Chopin (Mon) (503 331).
**Rome:** Auditorio di Via Della Conciliazione: Rachmaninov, Dvorak conducted by Yuri Ahronovitch. Pianist: Lye de Barberiis. (Mon and Tue) (65.41.044).

NEW YORK

**New York Philharmonic** (Avery Fisher Hall): Hans Werner Henze conducting, Emanuel Ax, piano. Henze: Tristan (U.S. premiere); Krzysztof Penderecki conducting. Penderecki: (Thur). Lincoln Center (874 2424).
**Alice Tully Hall:** Golub Kaplan Carr Trio. Walter Trampler viola guest artist. Beethoven, Shostakovich, Brahms (Tue). Lincoln Center (362 1911).

CHICAGO

**Chicago Symphony** (Orchestra Hall): Klaus Tennstedt conducting. Mozart, Bruckner (Thur). (435 6122).

BRUSSELS

**BBC Symphony Orchestra** conducted by Paavo Berglund with Felicity Palmer, mezzo-soprano. Elgar, Mahler, Tchaikovsky. Kortrijk (Mon).

VIENNA

**Vienna Philharmonic Orchestra** conducted by Carlo Maria Giulini. Bruckner. Musikverein (Tue) (65 6190).
**The London Philharmonic:** Vladimir Ashkenazi, conductor and soloist. Beethoven and Mozart (Wed); Christina Ortiz, piano. Ravel and Dvorak (Thur). Musikverein. (65 8190).

ZURICH

**Tonhalle:** Tonhalle Orchestra and Saengerverein Harmonie conducted by Hans Erismann. Mendelssohn (Mon): Jeffrey Swann piano recital. Haydn, Chopin, Debussy and Liszt (Tue). (471 600).

## Opera and Ballet

LONDON

**Royal Opera,** Covent Garden: L'elisir d'amore is the only opera at Coveot Garden this week; the latest Donizetti revival marks the final public appearances of Sir Geraint Evans, and includes in the cast Sona Ghazarian, Luis Lima, and Ingvar Wixell, with Gabriele Bellini (London debut) conducting. (240 1066).
**Royal Opera House,** Covent Garden: Royal Ballet offers a triple bill.
**Coliseum:** London Festival Ballet has a quadruple bill. (836 3161).

PARIS

**Boris Godunov** alternates with a new production of Gluck's Iphigenie en Tauride conducted by Gerd Albrecht, with Shirley Verrett in the title role and Thomas Allen as Oreste. Paris Opera (742 5750).
**Group Emile Dubois** with Jean-Claude Galotta's post modern choreography in Ulysses is followed by the Gulbenkian Ballet, influenced by Martha Graham and Merce Cunningham, at the Théâtre de la Ville. (274 2277).

WEST GERMANY

**Berlin,** Deutsche Oper: La Bohéme stars Raina Kabaivanska and Alberto Cupido. Don Giovanni, sung in Italian, features Csilla Zentai and Alejandro Ramirez. Orpheus in der Unterwelt has Astrid Varnay, Janis Martin and Donald Grobe. It is produced by Götz Friedrich. (34 381).
**Hamburg,** Staatsoper: This year's ballet festival from May 25 to 31 concentrates on the 'symphonic dance'. Premiering is a John Neumeier production to Mahler's 6th symphony. A further performance is Endstation Sehnsucht (A Streetcar Named Desire) choreographed by John Neumeier after Tennessee Williams' play with the Stuttgart ballet. Soloists are Marcia Haydee and Richard Cragun. Also shown is Neumeier's production nf Wendungen, to music by Schubert and to Mahler's 4th symphooy. Also Hommage à George Balanchine including his vier Temperamente, chnreographed by John Neumeier. A Nijinsky gala again by Neumeier, danced to music by Bach, closes the week. (351 151).
**Frankfurt,** Opera: Parsifal has Wagner specialist Walter Raffeiner in the title role. Richard Strauss' rarely-played Capriccio has fine interpretations by Helena Doese and Anny Schlemm. Fidelio has Anja Silja as Leonore. Die lustige Witwe is a well-done repertolre performance. (25 671).
**Stuttgart,** Württembergisches Staatstheater: The week starts with Ariadne auf Naxos, followed by Hans Werner Henze's Die Englische Katze; Idomeneo, a Harry Kupfer production, and Der Troubadour. (20 321).
**Munich,** Bayerische Staatsoper: A new productioo of Honegger's Jnhanna auf dem Scheiterhaufen, produced by August Everding has Cornelia Wulkopf, Astrid Varnay and Norberth Orth in the main parts. Orpheus and Eurydike brings together Cornelia Wulkopf, Julie Kaufmann and Pamela Coburn. This week's highlight is the Magic Flute with Kurt Moll and Zdzislava Donat. (21 651).

NEW YORK

**New York City Ballet** (New York State Theater): 37 repertory works, including 24 by George Balanchine and 10 by Jerome Robbins, comprise the spring season, featuring this week A Schubertiad and Le Tombeau de Couperin. Ends June 24. Lincoln Center. (870 5570)
**American Ballet Theatre** (Metropolitan Opera House): Ends June 16.
**The New Moon** (Ligbt Opera of Manhattan): Sigmund Homberg's tale of French Louisiana in the 17th Century includes the songs Wanting You and Lover Come Back To Me. Ends May 27. 334 E 74th. (861 2268).

BRUSSELS

**Idomeneo** conducted by John Pritchard with Stuart Burrows and Christian Eda-Pierre. Théâtre Royale de la Monnaie.

VIENNA

**Staatsoper:** Lorin Maazel conducts Carmen; Hager conducts the Magic Flnte. (5324/2655).
**Ballet evening** with music by Alban Berg: Three Orchestral Pieces (choreography by Forsythe), Lyrical Suite (choreography by Jochen Ulrich) and Violin Concerto (choreography by Jiri Kylion). Vienna String Quartet conducted by Lorin Maazel. Staatsoper oo Monday.

## English National Opera

**ENO will forgive Americans who think of their six-week American tour, the first of any major British company to the U.S., as something akin to an invasion by friendly forces. The company, numbering 350, will travel across the U.S. from Texas to the Louisiana World's Fair and on to a fortnight's engagement at the Metropolitan Opera in New York.**

**The five operas in the repertoire include the first U.S. stage performance of Benjamin Britten'e Gloriana, commissioned for Queen Elizabeth's coronation in 1953, and Prokofiev's War and Peace, a monumental work that requires 40 soloists and an orchestra of over 100 – ENO's largest production.**

**Jonathan Miller braves local critics with his production of Rigoletto set in New York's Little Italy, an area sensitive to the stereotyping of Italians as gangsters and already controversial long before its arrival.**

**Patricia O'Neill has the title role of Patience which plays tonight (May 25) and Sunday in Houston, and again in New Orleans and New York. The fifth opera, Jonathan Miller's production of The Turn of the Screw, will be performed only at the San Antonio Festival on Thursday, June 7 and Saturday, June 9.**

**The three-city Texas tour of Houston, Austin and San Antonio is being treated as a single engagement with no overlap in repertory, as the company travels between engagements with 17 trailers of scenery, a thousand wigs and 10,000 items of costumes. The final stop, at the Metropolitan Opera in New York, will have e dozen performances in the last ten days of June.**

**Frank Lipsius**

## Exhibitions

LONDON

**The Hayward Gallery:** English Romanesque Art 1066-1200 AD – a dense and weighty exhibition in every sense, perfectly self-explanatory nevertheless, quite magnificent and altogether a revelation. It treats on the sculpture, architecture, fine craft a illumination of England at a most particular and crucial period. Ends July 8.
**The Royal Academy:** 216th Summer Show – by tradition the event that brings in the London Season, and the middle classes in their masses. It is always something of e muddle, as would be any show of many hundred works chosen from several thousand sent in this year, with 1757 from more than 12,000 the Summer Show is the largest ever. But it is none-the-less enjoyable for that, if you can take the terrors as they come, and make the effort to look fnr the very many good things by Academicians and outsiders alike. The Academy's membership has been gaining in strength over many years, and now has rather more than e fair claim to occupy the centre of the British Art Stage. Peter Blake, Eduardo Paolozzi, Allen Jones and John Hoyland are only some of the most recent elections. Ends August 18.

PARIS

**Camille Claudel:** 70 sculptures accompanied by paintings, drawings and engravings prove the individuality of Rodin's pupil who, through her realism and, later on, a sense of the theatrical, found her own way. Müsée Rodin. Closed Tue. Ends June 11 (705 0134).
**Masterpieces of American Painting 1760-1910.** More than 100 paintings – among them Whistler's Mother, Sargent's Madame X and Mary Cassatt's Impressionist work – span 150 years of American creation. The panorama of realistic portraits, dramatic landscapes, genre scenes and symbolist paintings culminating with Homer and Eakins and proves abundantly that the New World did not have to wait for the contempodary period to affirm a powerful identity of its own. Grand Palais (261 5410). Closed Tue. Ends June 11.

NEW YORK

**Museum of Modern Art:** After being virtually closed for three years of renovation, the new museum has a chance to show the depth and breadth of its considerable collection. No longer is it a boutique of the modern classics but more like e department store, with double its previous exhibition space and room for such examples of modern design as a whole helicopter.

WASHINGTON

**German Expressionist Sculpture** (Hirshhorn): This is the first comprehensive look at works in plaster, bronze, wood and porcelain from the first two decades of this century in Germany. Included in the show of 33 artists and 120 sculptures are Max Beckmann, Emil Nolde, Wilhelm Lehmbruck and Ernst Barlach. Ends June 17.
**Mark Rothko** (National Gallery): 86 works on paper by a leading contemporary American artist begin a national tour with this exhibit in the East Building. The highlights are vivid watercolours from 1968 and 1969, e period when Rothko's canvases were already tinged with the sombre browns, blacks and greys that anticipated his suicide in 1970. Ends August 5.

WEST GERMANY

**Essen,** Villa Huegel: the former residence of the Krupp family, now an arts centre, presents treasures from Peru – among them more than 500 priceless exhibits never shown before outside the country. The 800 artefacts, from 2,000 BC, beautifully document Peru's cultural development. Ends June 30.
**Stuttgart,** Staatsgalerie: 500 graphical masterpieces from the 15th century to date are shown here on the occasion of the opening of the new house. Ends June 10.
**Cologne,** Kunsthalle, 1 Josef-Haubrich-Hof: More than 200 paintings, drawings, graphics and sculptures – chiefly from his later working periods – by Max Beckmann (1884-1950), one of the German painters persecuted by the Nazis. Ends June 24.

BRUSSELS

**Treasures for the Table:** Gold and silverware, porcelain and glass from Vienna, Paris and Brussels, including part of the solid gold service made for the Empress Maria Theresa and Louis XV's Sèvres service offered to her to commemorate the Franco-Austrian alliance. Credit Communal Passage 44 until June.
**Art and Sport:** 300 paintings, sculptures, drawing and photographs including Toulouse-Lautrec, Picasso, Magritte, Leger, Delaunay, Hockney. Palais des Beaux Arts. Ends June 3.

ITALY

**Rome:** Accademia di Francia (Villa Medici): In 1884 Claude Debussy won the coveted Prix de Rome, which allowed artists and musicians to study in Rome for two years. He said ungratefully: "Rome is a really ugly city, full of marble, fleas and boredom". He described his room in the entrancing Villa Medici as an "etruscan tomb". The city, forgivingly, celebrates the centenary of his stay with an exhibition, Debussy and Symbolism. His symphonic poem, La Mer, was composed while staying at Fiumicino near Rome. Ends June 3.
**Venice:** Palazzo Fortuny: Hollywood Photographers 1921-1941: More than 100 photographs, not all flattering, of well-known actors and actresses. Ends June 24.

VIENNA

**The Cliche** and the reality of Viennese womeo in their fight for emancipation at the turn of the century. Hermesvilla, Lainzer Tiergarten. Until March 1985.

NETHERLANDS

**Hans Koper:** An exhibition of the ceramics of this Dutch artist and craftsman, who died in 1981, can be seen at the Museum Boymans van Beuningen, Rotterdam, until May 20. Koper was well known in England, and the display is arranged in co-operation with the British Council and the Sainsbury Centre for the Visual Arts in Norwich.

## Theatre

LONDON

**A Streetcar Named Desire** (Mermaid): Sheila Gish gives the performance of her life as Blanche Dubois in Alan Strachan's excellent revival, first seen last year at Greenwich. Tennessee Williams's emotional roller-coaster of a play amounts to one of the best evenings in town. (930 6123).
**Little Shop of Horrors** (Comedy): Campy off-Broadway import which is less good than The Rocky Horror Picture Show but which has a curious charm, a full-blown performance from Ellen Greene and an exotically expanding man-eating prickly plant. (930 2578).
**Pack of Lies** (Lyric): A decent, enthralling play about the breaking of a spy ring in the suburban Ruislip of 1959-60. Hugh Whitemore's script cleverly constructs e drama about betrayal from the friendship of neighbours. The story is based on fact and well directed by Clifford Williams. (437 3686).
**The Real Thing** (Strand): Susan Penhaligon and Paul Shelley now take the leads in Tom Stoppard's fascinating, complex, slightly flawed new play. Peter Wood's production strikes a happy note of serious levity. (836 2660/4143).
**Daisy Pulls It Off** (Globe): Enjoyable romp derived from the world of Angela Brazil novels: gym slips, hockey sticks, a cliff-top rescue, stout moral conclusion and a rousing school hymn. Spiffing if you're in that sort of mood. (437 1592).
**Noises Off** (Savoy): The funniest play for years in London, now with an improved third act. Michael Blakemore's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (836 8888).

NEW YORK

**Sunday in the Park with George** (Booth): Not your conventional musical. Stephen Sondheim's latest is an inspired pairing with director and playwright James Lapine to bring George Seurat's painting to life, with Mandy Patinkin as the painter and Bernadette Peters as his imagined girlfriend, Dot. (239 6262).
**Cats** (Winter Garden): Still e sellout, Trevor Nunn's production of T. S. Eliot children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).
**42nd Street** (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the nriginal film like Shuffle Off To Buffalo with the apropriately brash and leggy hoofing by a large chorus line. (977 9020).
**Torch Song Trilogy** (Helen Hayes): Harvey Fierstein's ebullient and touching story of a drag queen from backstage to loneliness incorporates all the wild histrionics in between, down to the confrontation with his doting Jewish mother. (944 9450).
**Dreamgirls** (Imperial): Michael Bennett's latest musical has now become a stalwart Broadway presence despite the forced effort to recreate the career of a 1960s female pop group, a la Supremes, without the quality of their music. (239 6200).
**Nine** (46th St): Two dozen women surround Sergio Franchi in this Tooy-award winning musical version of the Fellini film 8½, which like the original celebrates creativity, here as a series of Tommy Tune's exciting scenes. (246 0246).
**On Your Toes** (Virginia): Galina Panova with presumably a genuine Russian accent leads an exuberant cast in the remake of Rogers and Hart's 1936 sendup of Russian ballet tours, complete with Slaughter on Teoth Avenue choreographed by George Balanchine and directed, like the original, by George Abbott. (977 9370).
**Brighton Beach Memoirs** (Neil Simoo): If he wasn't sure before, playwright Neil Simon can expect e long run of his funny as well as touching childhood reminiscences now that the Nederlander organizatioo has generously decided to name the theatre after the generation's outstanding box office draw. (757 8646).
**A Chorus Line** (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).
**Carmen** (Vivian Beaumnnl): Peter Brook has done an excellent job in transforming this Lincoln Center landmark into a spruced-up version of his grubbier Paris Bouffe do Nnrd home for a fast-paced, stripped-down seven-performer, but wholly engrossing version of Bizet. (874 6770).
**Noises Off** (Brooks Atkinson): Dorothy Loudon brings Michael Frayn'a backstage slapstick farce to Broadway in Michael Blakemore's production that includes Brian Murray, Paxton Whitehead and Victor Garber as her backstage conspirators. (245 3430).
**The Real Thing** (Plymouth): After 14 months in London, Tom Stoppard's latest giggle at the English intelligentsia, with a new-found attention to the beart thal beats beneath the veneer, arrived on Broadway in a cast headed by Jeremy Irons and Glenn Close, directed at e fast clip by Mike Nichols. (239 6200).

CHICAGO

**E. R.** (Forum): Moving into its second year parodying melodrama in a hospital setting, this emergency room continues its adventures among a young doctor, e receptionist and an authoritarian nurse. (496 3000).

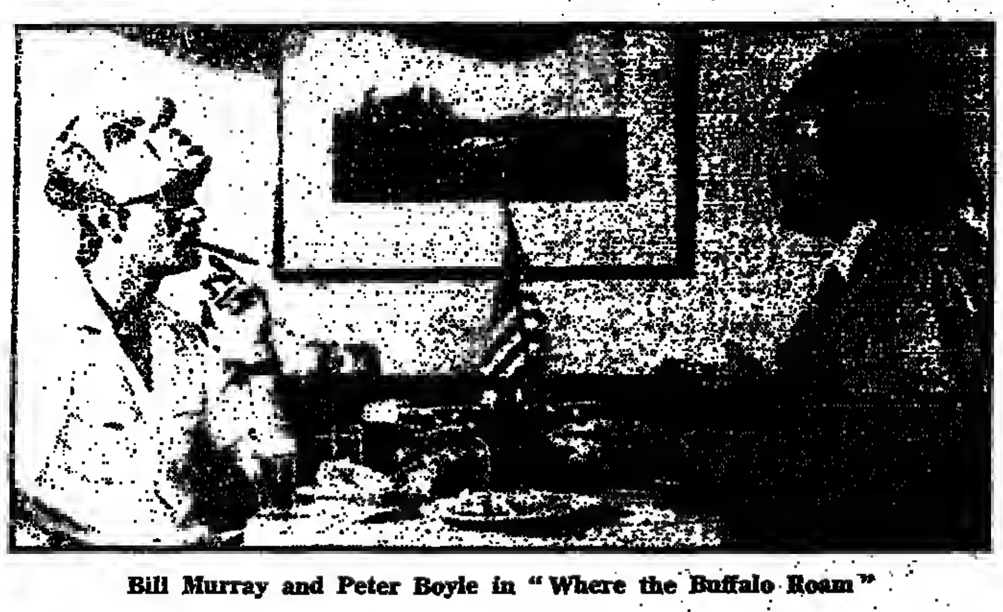
WASHINGTON

**Henry V** (Folger): Philip Kerr directs the resident acting company led by Edward Gero as the charismatic Henry to the field of Agincourt, facing John Wylie as King Charles. Marjory Wright, the wife of the British Ambassador, plays Mistress Quickly. Ends July 1. (546 4000)
**Happy End** (Arena Stage): The final production of the subscription series is the Brecht-Weill musical with a cast of 24 directed by Garland Wright. Originally the sequel to Threepenny Opera, set in Chicago in 1919. It stars Marilyn Caskey as the Salvation Army soul saver. (488 3300)

## Cinema/John Pym

# Where the gonzos roam

Where the Buffalo Roam, directed by Art Linson
Wizard of Oz, directed by Hunter S. Thompson
Scandalous, directed by Rob Cohen
Mr Mum, directed by Stan Dragoti



Bill Murray and Peter Boyle in "Where the Buffalo Roam"

The range lies before us: the noble shaggy beasts placidly munch; Neil Young's clear unaccompanied voice renders the title song and produces (in those of a certain age) a rush of nostalgia; then up come Ralph Steadman's splattering front credits. *Where the Buffalo Room*, made by Universal Pictures four years ago, and after a poor showing in the United States now released in Britain by the independent outfit Blue Dolphin, catapults us back into the dear departed days of the Alternative Society. It's the present and Dr Hunter S. Thompson, the baroque chronicler of the Sixties, is holed up in his Colorado cabin fighting for inspiration, to retain his grip on the drug-misted past.

What follows does not quite live up to the promise of the bravura opening with Thompson drinking, swaggering, nrdering his Doberman pinscher to attack his lifesize Nixon doll, loosing off his six-shooter and steadfastly ignoring the chatter of the Eighties gadgets, all of which seem, from far away, to be imploring him for copy. But Bill Murray, a tall, raunchy and self-confident comedian, has got inside Thompson's skin: he makes his character's outrageousness if not understandable then at least mesmerically helieveable.

But the Sixties are far behind us. And while the *New Ynrker* could recently run a pertinent "Talk of the Town" item about a man who gave his once-treasured Flower Power wardrobe to his teenage son (his friends, the lad reported, were knocked for six), there is nothing on the whole quite so dated today as a dope-smoking picture. The director Art Linson and his writer John Kaye proved themselves, however, with *Rafferty and the Gold Dust Twins*, adept at sustaining an engagingly laid-back tone; and the present film, despite a tendency to meander, manages the not inconsiderable feat of both celebrating and interrogating the recent American past.

Bill Murray came to notice in the TV series *Saturday Night Live* and *Where the Buffalo Roam* has much of the feel of American quickfire TV satire (the energy level, for one thing, is very high). Drawn from incidents in Thompson's books and from his *Rolling Stone* article "The Banshee Screams for Buffalo Meat," the film pieces together in flashback episodes the journalist's recollection of his former lawyer Karl Lazlo (Peter Boyle), a wild man with buffalo locks whose idealism attracted the at beert notably disengaged Thompson.

Thompson observes Lazlo in court defending a drug-user and then exploding at the judge and ending in jail himself when the young man is sent down for five years. Lazlo crops up again when Thompson is supposed to be covering a Super Bowl game in Los Angeles and carries him off to see the now radicalised youth and his scatterhrained terrorist companions. He again fades into Thompson's life with a Utopian land-purchase scheme during the 1972 presidential campaign. But the film's real subject—and Lazlo is in effect only a peg to hang it on—is Thompson himself and the manner in which he rubbed up against the Establishment.

His *bête noire* is Richard Nixon, and the picture's best sequence has Thompson, disguised as a straight reporter, encountering the bunched wolflike figure of the President in an airport lavatory and then skilfully egging him on to produce a paranoid expostulation, the perfect quote: an example of "gonzo" journalism—where the reporter becomes a character in the drama—at its most telling (which is to say its most riveting and its most suspect). It is, however, the gonzo portrait of Thompson the man, his accoutrements, his weaponry, his travelling cocktails, his black bag of pills, his deadpan visionary which the film most engagingly communicates. He embroidered upon his subjects (and there are several miscalculated bits of slapstick business), but he caught the spirit of his times, tiresome and naive as much of it now seems, with an eccurate, sharp and sometimes melancholy humour.

Metro-Goldwyn-Mayer's *The Wizard of Oz* is dedicated to those readers of L. Frank Baum's classic who have remained faithful down the years to its "kindly philosophy." The book was published in 1900, and the film first released in Britain at the start of the Second World War. In the preface, Baum drew attention to the fact that he had omitted the blood-curdling hits usually found in children's fantasies. Thompson, spinning his edult fantasies, bewailed the fact that life did not seem to him weird and scarifying eoough. Thompson's home on the range is a rich man's bolt-hole; Dorothy's Kansas farmhouse e place of real hardship—a stark contrast to what now seems the near-psychedelic dreamland of the diminutive Munchkins.

Despite its familiarity abetted by its nutings on television, Victor Fleming's film seems likely to remain imperishable, although this half-term reissue has only a plain black-and-white opening, not the sepia original. Seeing it again, one is struck chiefly by its modesty: no effort has been made to hide tha wire holding up the Lion's tail and Judy Garland at one point half catches her foot in e carpet—a small humanising flaw which in these days of gleaming too-perfect effects would not have been allowed to pass. The magic (all those puffs of red smoke) and the make-up (these are stuck on noses) come from a less driven age.

Hunter S. Thompson is determined to knock us flat; L. Frank Baum, though in his own way no less fanciful, and his fluffing wizard is as interventionist as the gonzo journalist, is determined not to trouble us. Art Linson gets away with a scabrous attack on President Nixon, but would he not, I wonder, have baulked had be been required to feature a horde of dwarfs gleefully parodying themselves as sideshow attractions. For a different reason, however, the Munchkins each in a more overdone rig than the last find themselves absolutely back in fashion: one can see their hairdos any day on Oxford Street.

*

*Scandalous* belongs to that school of entertainments where capering is the chief order of business: if Audrey Hepburn and Cary Grant are the principals, the result can be most diverting. Here the odd couple are Pamela Stephenson and John Gielgud, con-artists required to undergo many costume changes as they nobble a bland TV journalist whose wife has turned up her toes in suspicious circumstances. Jim Dale is e policeman proud of the fact that he's often taken for Laurence Olivier. The plot, unfortunately, lacks the crucial fizz of glamorous inconsequentiality.

*

Poor Michael Keaton loses his job as an auto engineer in *Mr Mum* and, when his wife, Teri Garr, becomes the bread-winner, finds that even simple mechanical gadgets—and this is puzzling given his profession—become too much for him. The hoover goes beserk, the washing machine misbehaves; he retires into beer-swilling slobdom and starts eyeing the rapecious neighbourhood divorcée. Aaron Spelling produced this forgettable sit-com. Although he ingested many harmful substances, Hunter S. Thompson was at least never addicted to afternoon television.

Pamela Stephenson and Robert Hays in "Scandalous"

## Arts news in brief

West German director Wim Wenders has won the Cannes Film Festival's top prize, the Golden Palm, for *Paris, Texas*, the story of e man's voyage of self-discovery, the screenplay for which was written by Sam Shepard.

The Cannes jury, chaired by British actor Dirk Bogarde, also paid a special tribute to veteran American director John Huston for "his extraordinary contribution to cinema." Huston, 77, was widely favoured to win the Golden Palm for *Under the Volcano*, a film set in Mexico, his country of adoption.

*

*Son et Lumière* returns to Hampton Court Palace this year after a long gap. The venture, which starts on July 1, is to be sponsored by the Milk Marketing Board and any profits will go to Save the Children.

The production traces the history of the Palace and among the actors contributing their voices are Donald Sinden, as Cardinal Wolsey, Richard Griffiths as Henry VIII, and Judi Dench.

*

Thames Television has announced that two more playwrights had been nominated to join its playwright scheme, Timberlake Wertenbaker and Michael Wall.

Wertenbaker will be attached to the Royal Court Theatre in London, and Wall to the Belgrade Theatre, Coventry.

The Thames scheme—run through the company's committee for grants to the arts and sciences—offers £3,000 to the sponsoring theatre to encourage the development of promising talent by selecting a playwright for e 12-month attachment to a theatre.

## Serjeant Musgrave's Dance/Old Vic

**Michael Coveney**

John Arden'a play emptied the Royal Court in 1959 (it played to 21 per cent business) before becoming a modern classic and a school set text. In recent years the shadow of Northern Ireland falls across the tale of Black Jack Musgrave newly arrived at a mining town in the north of England to extract some weird pacifist revenge on a community which spawned the victim of a street fight overseas.

Musgrave's e deserter from the British army and brings with him three other malcontents. The town is suffering a atrike et the colliery and the likelihood of riots. The soldiers are at first suspected of baving been hired to keep the peace. The time is the 1880s.

In 1972 John McGrath's version, *Serjeant Musgrave Dances On*, pitted the events of Bloody Sunday against the mood of industrial unrest in the coal-fields. But nothing needs underlining nowadays and Albert Finney's production for United British Artists, a Star Actors' Lib set-up, assembles a good cast and releases them in a spirit of crude vivacity that is on the whole compelling and at the least a clean break with the Royal Court design puritanism that has surrounded the piece even unto the last revival in 1981 at the Cottesloe.

Di Seymour's design makes no bones about trundling the hostelry around in front of some unconvincing snow projections while patriotic banners fly out to reveal a carefully rebearsed choir of Cloggies by the snug bar. It is not very neat and not very stylish—you should see the muddle Finney and Co get themselves into while trying to line up with their flags before the big meeting—but it does make e change.

With Finney in top form as the bullet-headed scowlingly possessed Cockney Serjeant, and with impressive support from Eileen Atkins as the hostess, Alun Armstrong as Hurst and Graham Crowden as the parson who would close down the pubs until the pits are working again (I'd like to hear a clergyman try that one today), the contribution of Finney the director can be seen fleetingly in a solidly cheery clog dance and the general inclination of actors to tip a wink at the audience whenever possible.

Talking of winks, Max Wall is on hand to walk up and down a bit as the old Bargee, somewhat improving Arden by revealing a marked inability to tie e rope around a capstan ("I'll 'ave another go at this") he leers despairingly after 10 minutes). But he comes a serious cropper in the last act which never really catches fire from the moment Finney's peculiar dance peters out in an anticlimax around the town's stone memorial. The band of an efficient director is badly needed here.

Finney's best moments are of clipped authoritarian command early on and his wild imaginings in a nightmare as, below in the stables, his young colleague Sparky (played confidently but without pathos by Mark Jefferis) cuddles up with the soldiers' whore (the really excellent Cathryn Harrison). He also manages a massive, sustained expression of bemused disappointment when his logic lets him down in the great anti-war rally he springs on the townsfolk. But it all needs better placing on the stage.

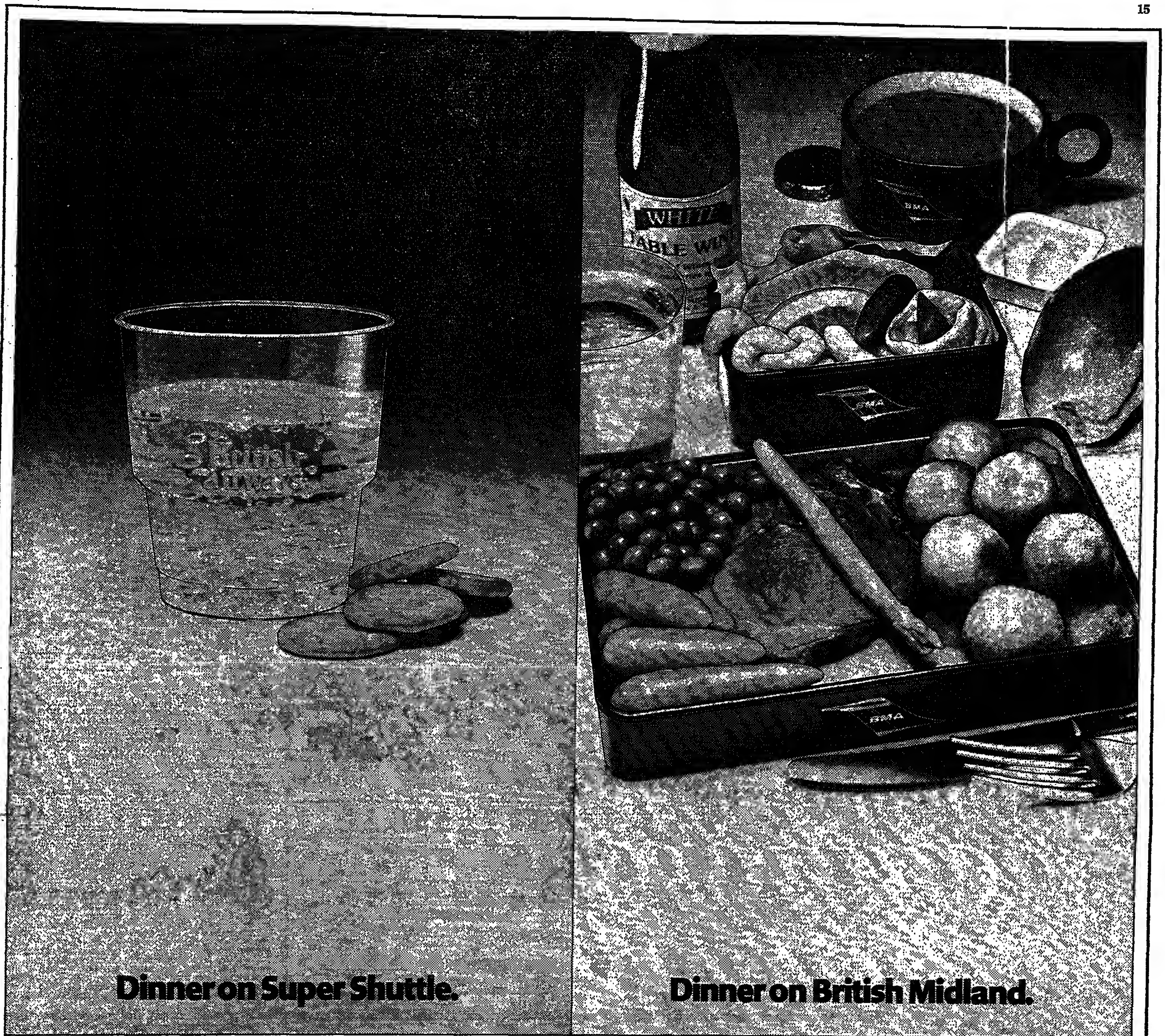
## Saleroom

As is usual with house sales lhe auction of the contents of Lord Iveagh's English home, Elvedon Hall near Thetford in Norfolk, did far better than expected. Christie's was estimating to bring in around £2.5m from the four-day sale bul in the event the grand total just topped £6m . . . even though there were no really outstanding items on offer.

The best prices yesterday were among the silver, a pair of Victorian seven-light candelabra doubling their forecast at £32,400, and a Victorian equestrian group of the Rape of the Sabine Women trebling its estimate at £29,160. A pair of Victorian wine coolers went for £14,040. Obviously being able to say "once in the Elvedon collection" boosted prices way above normal valuations.

The continuity of the leading salerooms will be well illustrated on July 6 when Christie's is selling a painting which it offered at auction a 100 years ago to the day and found no takers. The work is "The Plague at Athens" by Michiel Sweerts, the Belgian born 17th century artist who worked in Rome.

This time the painting is expected to sell for between £500,000 and £800,000 (as against the 200 guineas it realised in 1816). It is offered as part of the Cook collection. A view of the New Horse Guards from St James's Park by Canaletto, painted in 1752 while building was still in progress, carries an upper estimate of £500,000.

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# Pragmatism in Malaysia

AN INCREASE in the flow of direct foreign investment would make an important contribution to the economic prosperity of the Third World. Yet developing countries have put so many bureaucratic and fiscal obstacles in the path of investors that the flow of capital is much smaller than it ought to be. There are encouraging signs that, in the harsher climate which now prevails, nationalistic attitudes towards multinationals are giving way to a more realistic assessment of what foreign companies can offer.

This week's hint by Dr Mahathir Mohamed, Malaysia's Prime Minister, that his Government is considering relaxing its rigid rules on foreign equity participation is a welcome move in this direction.

If Dr Mahathir does indeed abandon or amend the policy which requires foreign investors to hold no more than 30 per cent stake in Malaysian companies, a major change will have taken place.

The country's New Economic Policy (NEP) introduced after the Malay-Chinese riots of 1969, aims to give Bumiputras (indigenous Malays who have been politically dominant but economically subservient to the country's Chinese minority) a greater share in Malaysia's wealth.

### Ownership

It has attempted this, first, by increasing the size of the cake through sustained economic growth and, second, by transferring a substantial slice to the Malays through the acquisition of equity in Chinese and foreign companies —often under duress.

The last of the UK-owned plantation companies in the former British colony agreed terms earlier this week, which transferred control of their rubber and palm oil estates to the Malaysian authorities.

Since the NEP was introduced in 1970 foreign ownership of publicly listed companies has dropped from 63 per cent to about 28 per cent. By the end of last year the Bumiputra ownership of shares had risen to 18.7 per cent of the corporate sector against 12.5 per cent in 1980.

One of the inevitable consequences of this policy has been to deter potential foreign investors. The 30 per cent ceiling on foreign equity ownership in Malaysian companies was the chief obstacle to further U.S. investment in the country, Dr Mahathir was told in Washington when he saw President Reagan last January —even though in other respects, for example on repatriation of profits, the policy is relatively liberal.

This feeling of unease was compounded by Dr Mahathir's "buy British last" policy, imposed in October 1981 and withdrawn a year ago. As a result foreign investment in Malaysia, especially in the non-oil sector, has been patchy and disappointing.

The scarcity of foreign investment has been compounded by the impact of the world recession on the Malaysian economy. The country—an oil and gas producer and a major commodity exporter—found itself strapped for cash and having to shelve many of its more ambitious capital projects.

Faced with substantial debt-servicing obligations, and still vulnerable to a further slide in oil and commodity prices, Dr Mahathir is looking for other ways of maintaining growth.

Rather than borrow his way out of trouble he has wisely begun to recast some of the more negative aspects of the NEP. Dr Mahathir is politically strong enough to be able to sell this change in course to his own supporters. He can point to the fact that, since its implementation, the NEP has gone a long way towards acquiring a substantial chunk of the economy (including all its commanding heights) for the indigenous Malays.

As Dr Mahathir said earlier this week: what would be the loss to Malaysia if foreign companies which, in any case used the country's rubber, tin and other resources, were allowed to retain a majority stake in local companies?

This kind of pragmatism, which sees the foreign investor not as a predator but as partner for mutual benefit, might serve other developing countries well.

# Pensions and job mobility

THE GOVERNMENT'S initial steps to reform Britian's occupational pensions industry deserve support. Yesterday's consultative paper is right to argue that early leavers from company pension schemes should have a statutory right to a transfer value. They should be able to transfer their accrued pension rights into another company scheme or perhaps into a personal portable pension (if these are approved next month) or use the cash to buy a life office annuity.

At present, schemes can deny leavers transfer values and offer them instead a deferred pension. The right to a transfer will do something to improve job mobility. It complements the Government's insistence last November that deferred pensions should be revalued with inflation up to a maximum of 5 per cent per annum.

However, the mere right to a transfer value is not as substantial as it sounds. In the past it has been mainly only the small schemes that have refused transfers. About 97 per cent of the big schemes covered by the National Association of Pension Funds paid transfer values and 96 per cent accepted them. The Government is not insisting that schemes accept transfer values. So some leavers from small schemes may prefer to leave a deferred, partially indexed pension with their old employer rather than risk an annuity or portable pension—whose eventual value in relation to their final salary must remain unknown.

### Value

The main wrangle has not been over whether a transfer is available but over its value. People leaving one company and joining another are often dismayed to find that their transferred pension buys fewer-than-expected years of service in their new employer's scheme. Actuaries running different schemes make different assumptions and so can disagree radically over the true "actuarial" value of a given set of contributions. The Government shows no sign of wanting to tackle this by setting explicit guidelines.

The Government's reforms, and its probable support for some form of portable pensions, may eventually create new problems, however. The first reflects the conflicting values of paternalism and freedom. The merit of company schemes is that the vast majority of individuals can forget about their old age (and most wish to) because their interests can, at least in theory, be looked after by trustees. This is a division of labour, based on economics of scale, Adam Smith might have approved of.

Portable pensions, though, could leave individuals more exposed—to the patter of life office salesmen. With complex financial contracts like pensions it is no use crying "buyer beware." The average person will be hard pressed to assess the merits of the rival, mouth-watering prospects that salesmen will offer if only he leaves the safety of a company scheme.

### Salesmen

It is thus worrying that Mr Fowler's reforms seem to be running ahead of steps to regulate properly either the pensions industry or life offices. Professor Gower, in his report on investor protection, stressed the need for much tighter control of life salesmen. This will be more necessary if they are to become more active in the pensions field. Pensions are probably most people's most valuable asset after their house.

While it is essential to encourage job mobility, it should be remembered that this is not inconsistent with occupational schemes. Their gross unfairness to early leavers was not inevitable. It is being corrected although there is still some way to go.

The pressing problem is to work out how companies' final salary schemes, which have the advantage for employees of a defined benefit, can be made to co-exist with money purchase, portable pensions, which have the advantage for companies of resting on defined contributions. The problem for employees is that with money purchase schemes they cannot know what their contributions will eventually buy.

It has been suggested that employees of companies with occupational schemes should be allowed to opt out and that employers should then contribute to their personal portable pensions. This would place obligations on employers with occupational schemes that are avoided by those who have no scheme at all. The net effect of co-ercing some employers into making payments into employees' portable pensions might be the withering of occupational schemes. This is something that Mr Fowler must seek to avoid in his proposals due next month.

LESS-DEVELOPED COUNTRIES

# A dismal outlook—for some

By Anatole Kaletsky

"HAVE THE Less Developed Countries bottomed out?" is the title of the latest analysis of the world economy published by Data Resources (DRI), the world's largest econometric forecasting service.

The International Monetary Fund, in its recent World Economic Outlook answers this life and death question for millions of people as follows:

"Developing countries can reasonably expect . . . relatively satisfactory rates of growth of imports, exports and gross domestic product. . . ."

The trouble with this kind of reassuring answer is that it addresses a question which no longer makes much sense; for one of the lasting consequences of the past few years of international economic turbulence is that terms like "Third World" or "developing countries" have lost much of their economic meaning.

The Third World today is a collection of disparate nations which may have some similarities in their relative poverty and in their political aspirations; but their economies are careering in different directions at a bewildering rate. To take comfort from the "satisfactory" outlook for the developing countries in the aggregate, is like standing beside a hornets' nest and expecting not to be stung because a mild breeze is blowing in the opposite direction.

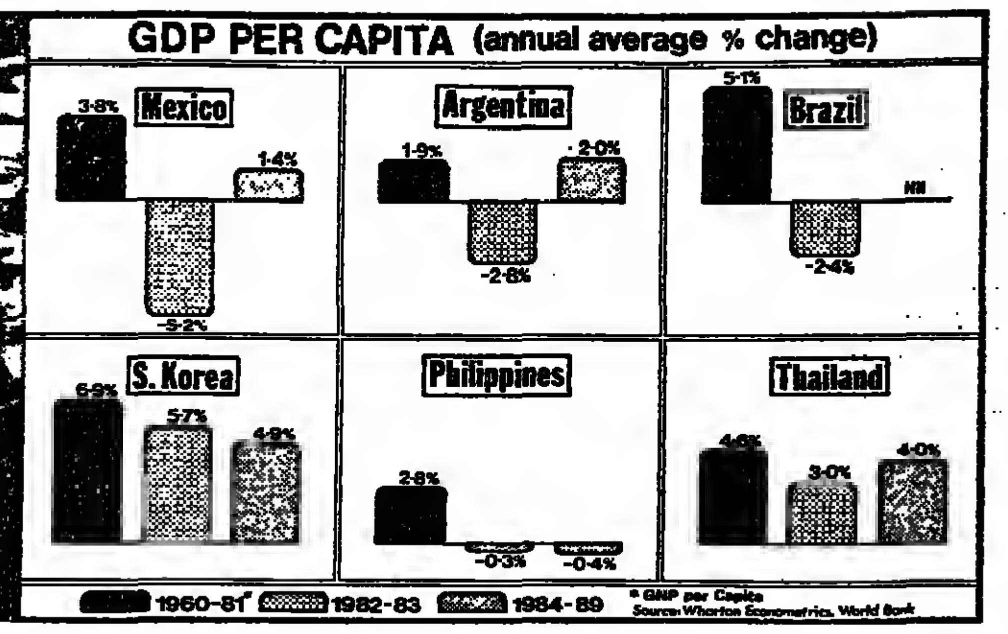
Thus, while the IMF's "base" projection of a 4.6 per cent growth rate for the non-oil developing countries by 1986-90 may seem satisfactory enough—

## The computers are churning out alarming statistics

indeed many private forecasters expect an even better performance—the situation looks very different from the shanty towns of Manila or Sao Paolo.

Not only do such relatively rosy predictions for the latter part of this decade divert attention from the economic wrenching still in store in many developing countries during the next year or two; they also ignore the fact that Brazilians and Filipinos, whose incomes per head will still be far below pre-debt crisis levels by the end of the decade, are more likely to be chagrined than consoled if the second half of the 1980s turns out to be a boom era for South Korea, Thailand or even Argentina.

Yet this is precisely the confusing and uncomfortable prospect which lies ahead for the rest of this decade, as forecasts produced by companies like Data Resources and Wharton Econometrics clearly show. The stark contrasts, both between nations and between each country's future prospects and long-established historical trends emerge particularly when the raw rate of economic expansion is converted into another indicator which is much more meaningful for countries still in the midst of population explosions, namely the growth of gross domestic product *per head* (see chart).




Chris Walker

International financial officials concede that their computers, too, are churning out alarming numbers about several of the key developing countries —especially Brazil, the Philippines and much of Africa—even on the optimistic assumptions about the general world economic environment which allow the IMF to state officially that prospects are "satisfactory" for the Third World as a whole.

To see that this is no mere semantical point, it is only necessary to consider Mexico, the country which today's conventional wisdom holds up as the clearest possible example of how a grossly over-borrowed nation can improve its economy in a single year if adjustment policies are "undertaken with vigour," in the words of the IMF Economic Outlook. But there is another way of looking at Mexico's experience, as one of Brazil's most respected former finance ministers recently pointed out:

"Bankers often present the Mexican experience in their show-room, because of the extraordinary $12bn trade surplus of 1983. Yet the real domestic product of Mexico declined by 4 per cent in 1983. Adjustment was achieved through import cuts and not by export growth. Only short-sighted analysts can imagine that this is a real success."

Indeed, while Mexico's economy shows definite signs of improvement, with growth prospects of 1 or 2 per cent this year and 3 to 5 per cent from 1985 onwards, depending on whether DRI's or Wharton's latest forecasts prove more accurate, this is scarcely an exemplary performance, given the depressed base from which this growth begins. With population growth rate of 2.6 per cent a year, it will take until 1990 for per capita incomes to rise above pre-crisis level, even on Wharton's more optimistic forecasts.

With Mexico's labour force growing by 3.5 per cent a year, unemployment could still be rising in 1986 and showing no signs of real improvement until the 1990s if DRI's forecasts prove nearer the mark.

The prospects for Brazil, meanwhile, are very much worse according to all analyses. Even official economists in Washington now admit that Brazil can expect no growth in income per capita until 1987 or 1988, even on the high-growth low-interest assumptions built into the IMF's mildly encouraging forecasts.

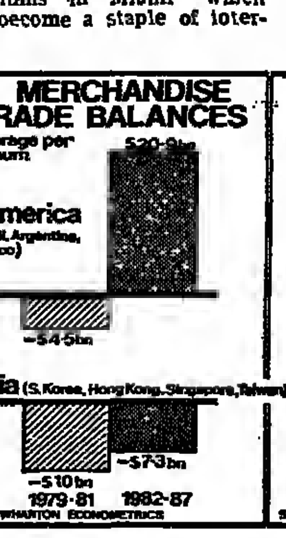
In fact, as analysts dig deeper into the debris of economic policy models scattered all over Latin America they are concluding that external constraints on Brazil's growth could be far more telling than in Argentina, Mexico or Chile. Their reasoning is particularly ironic.

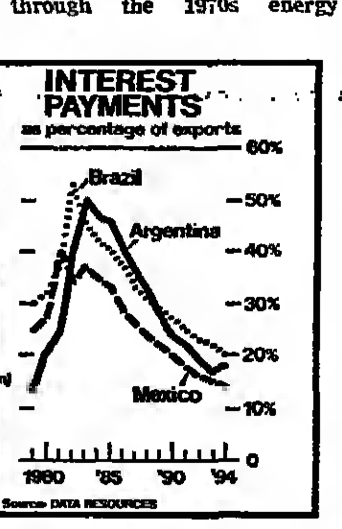
Brazil used more of its foreign borrowing to support domestic investment and economic output, while the other two countries' borrowing sprees were channelled largely into consumer imports and illegal capital flight (the notorious "condominiums in Miami" which have become a staple of international bankers' folklore). Thus the loss of foreign capital appears to have been an even heavier blow to Brazil's economy than to Mexico's or Argentina's.

Indeed, in Argentina the capital flight appears to have been so total that the loss of new foreign finance may scarcely impair the country's long-term growth prospects.

But if Mexico or Argentina can hardly be viewed as paragons, even by other countries which are in greater trouble, it is equally clear that the hostile world environment cannot be blamed entirely for the collapse in many Third World countries' development hopes.

In fact, the outlook for much of East Asia is as good today as it has ever been, and better than in the 1960s relative to the likely performance of the industrialised world's. Furthermore, the excellent prospects are not confined to the celebrated "miracle" countries like Korea, which seems to have shrugged off the debt crisis, despite a per capita debt level higher than Brazil's, or Singapore, Hong Kong and Taiwan, which managed to power through the 1970s energy crunch without contracting any significant foreign debt at all. Even the less advanced economies of Thailand, and Malaysia are likely to perform impressively in the rest of this decade.




What is it about these disparate nations that enables them to sail ahead with such consistency, whether the economic climate is fair or foul?

No single economic model can encompass all their policies, ranging as they do from Hong Kong's totally *laissez faire* approach, to Korea's "active industrial strategy" and its "sophisticated use of policy instruments by a competent group of officials," as one international financial institution's recent internal study describes two of the key components of the Korean model.

Neither is it a question entirely of industrial structure or resource endowments. The old distinction between Newly Industrialised Countries and other more backward countries which remain predominantly agricultural, no longer seems as useful as it did in the 1970s. With the crash of the two largest NICs—Mexico and Brazil —the more moderate industrialisation policies adopted by countries like Malaysia and Thailand look much more prudent.

Nor is the possession of oil or any other mineral any longer regarded as a key to development success.

Obviously the successful developing countries' location in Asia is a unifying factor. Their proximity to Japan, the world's most dynamic industrialised nation is obviously helpful. Even more important, given the current consumer boom in the American economy, is the high proportion of their exports which several of these Asian countries send to the U.S.

These factors are hardly conclusive, however, as a glance at the Philippines suggests. The likely slump in the Philippines' output this year is estimated at anything from 2 per cent to 6 per cent and after that there appears to be little prospect of significant per capita growth until the end of the decade. The Philippines indeed appears almost like "a corner of Latin America in Asia," as one World Bank official suggests. "Perhaps it has something to do with the Spanish language," he adds.

Apparently frivolous remarks like this may in fact have a deeper meaning. To the observation that many of the most successful developing countries have no natural resources, another World Bank official adds: "Resources create economic rents—rents create vast inequalities — and inequalities create political vested interests."

The absence of domestic resources has clearly been a factor as well in the most fundamental decision which most of the successful Asian economies were forced to make decades ago — they have geared themselves consistently to trade with the outside world and have always favoured their exporters over their domestic consumers when it has come to setting exchange rates.

Another feature which the successful developing countries appear to have in common is a social culture conducive to competent and reasonably equitable government. Although they are by no means free or democratic, many of these countries appear to have established a degree of social consensus and a form of government by consent.

One economic indicator, which distinguishes the Latin American development experience most sharply from that of the successful Asian countries, does give some force to this

## A small minority of entrenched economic groups

rather speculative conclusion. The inequality of incomes is for greater in practically all Latin American countries than in any other part of the world.

In Brazil, for example, the top 10 per cent of the income distribution receives no less than 50 per cent of the nation's total household income, while the bottom 40 per cent gets just 7 per cent. In Korea, by contrast the corresponding figures are 27 and 17 per cent. In fact, Korea's income distribution is more equal than that of many industrialised countries.

Statistics like this obviously do not prove that equality is the key to economic success. But even more obvious factors in international trade performance, such as exchange rate policies, are dictated in many countries by the interests of a small minority of entrenched economic groups.

In the years ahead, assessments of different developing countries' economic models will become a central concern of the international financial markets. And even bankers, to say nothing of IMF officials, may have to start paying more attention to political factors like this.

# Men and Matters

## Accountants in revolt

Punch-ups between pin-striped professionals are among the more entertaining pugilistic bouts. Which is why I look forward with eager anticipation to further rounds between the young chartered accountants in London ("young" means under 35 years old by their carefully-calculated definition) and their elder brethren.

About 1,000 under-35s belong to the London Young Chartered Accountants Group. They are in open revolt against a move by the Institute of Chartered Accountants in England and Wales to quell future rebellions by changing the rules of the institute.

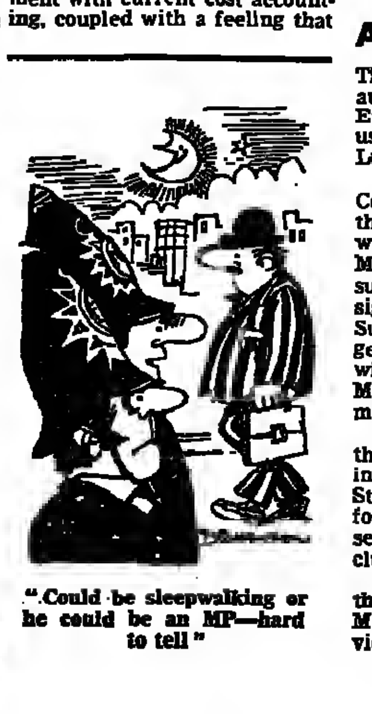
David Porter, a chartered accountant these last eight years, who works for Butterworths the publishers, is leading his troops into the fight. He is chairman of the young chartered accountants' group this year. "This could go as far as the Privy Council," he warns.

Underlying the dispute between the young bloods and their seniors is the growing dissatisfaction of the younger element with current cost accounting, coupled with a feeling that if reforms are to be achieved in the accountancy trade the under-35s are best likely to see them in.

Young feathers have been ruffled by a proposal by the national institute to increase the requirement to call a special meeting of the institute from 100 signatures to 250 signatures. "That would go a long way towards muzzling us younger members," says Porter.

Certainly it would make it much more difficult for the younger members to develop a campaign to make current cost accounting non-compulsory.

A special institute meeting to consider the proposed rule changes will be held at the institute's Moorgate headquarters on June 5 after the AGM. Porter's group wants "a show-down" that day and is advertising for support from all young accountants.



"Could be sleepwalking or he could be an MP—hard to tell"

## Added power

The first public display of auditor power—at least on a European scale—has stirred the usually sleepy Grand Duchy of Luxembourg.

Civil servants at the European Court of Auditors have laid their calculators to one side to write an appeal to President Mitterrand of France to persuade fellow EEC countries to sign a joint defence treaty. Such a move, the auditors suggest, could relaunch the EEC with the same vigour that Jean Monnet's coal and steel community gave to its inception.

It will not surprise anybody that the highly numerate founding members of STEPP—the Study Team for Europe, a Power for Peace, as they dub themselves—should choose such a clumsy acronym.

But it is strange that none of them has noticed that President Mitterrand has been airing his views on the desirability of a new European defence initiative since February.

Still, the auditors should be congratulated. The proposals may amount to only a small step for Common Market man, but STEPP is clearly a giant leap for the European auditor kind.

## Iron trade

When the Japanese premier, Yasuhiro Nakasone, sits down for his friendly bilateral chats with Mrs Thatcher in London next month a lot of the discussion is bound to be about how to promote the inflow of Japanese high technology investment into Britain.

But, with a leadership election in his own party now on the horizon, there is one piece of advanced technology that Nakasone hopes Britain can export to Japan.

He told an FT man in Tokyo this week that he will be requesting information on—"How one can be an iron statesman."

"I will be asking Mrs Thatcher for a transfer of know how," he added.

## Last word

It is well known — and I have from time to time noted — that the Japanese are capable of doing strange things to the English language. Tee-shirts are probably the most common source of such exotica but my diligent observer in Tokyo found this piece de resistance in a clothes shop window on Aoyama-dori, the street famous for its boutiques.

It runs as follows: "Here healthy people who drain refreshing sweat gather. Here people who know the pleasure of creation gather. Here people who fill the value of designing one's life plentifully gather.

"People with soul, body and sound mind, who will endeavour, will all win eternal glory and individual satisfaction. So let's live the limited life utmost."

There really is no more to be said.

## Time out

Until the British Tourist Authority mounted its new campaign pushing "The Great British Heritage" I confess I had not properly grasped the rich diversity of this land of ours.

But the BTA has done its homework.

Here is a possible itinerary culled from its round-up of great British activities.

Head first for Oxfordshire to catch a demonstration of hand milking a herd of shorthorns. Then to Sheffield where they promise to "highlight the association locally with the period of captivity of Mary Queen of Scots." For some reason as yet unexplained this corner of the heritage is attracting a party of 40 from Pakistan.

A pageant at Coalbrookdale telling the story of Abraham Darby's coke smelting discovery promises to be a real turn-on for the kids. And when the family tires of coke move on to Swindon to visit the locomotive works by arrangement.

There will be visits to "an 18th-century mining community" at Kirkby Stephen — but no plans, as far as I can discover, to shake hands with a 20th-century miner bellowing in traditional fashion on his picket line.

There is a chance to meet a Cumberland wrestler, and then to move to Lancashire for some witchcraft.

## Edited

From Warsaw comes the story of the Moscow woman who told a neighbour that her son, a magazine editor had published a very unflattering article about the Politburo.

"Oh, I am sorry" said the neighbour, "He was only a young man, too."

**Observer**

POLITICS TODAY: THE ALLIANCE

# Time for a little tenderness

By Malcolm Rutherford

JUST after the European elections next month, a huge converted rubbish van will tour the streets of London. It will be labelled "The Great British Vote Cruncher" and designed to look as much like a monster as possible.

The Fair Votes Campaign will be going into action, having received 1m signatures in favour of electoral reform since last autumn. The monster will gobble up paper in an attempt to symbolise the distortions produced by the present voting system.

The campaign is all-party, though inspired by the Liberal-SDP Alliance. And the aftermath of the European elections should be as good a time as any for it to launch its next phase. For it is widely assumed that in those elections the Alliance will do reasonably well in the percentage share of the vote, but win a negligible number of seats—if any.

My own guess is that that estimate is too down-beat. Mr Neil Kinnock, the leader of the Labour Party, took a high risk when he said on BBC Radio 4 last Sunday that there was no chance of the Alliance coming second to the Tories. The Alliance may well poll more than one-third of the votes cast. But the number of seats won would still be very small.

First, however, some words about how the Alliance has been going since the general election last June. Dr David Owen, the SDP leader, now admits that he was close to despair—or at least going back to medicine—when the election results came in: only 26 per cent for the Alliance and only six SDP MPs.

He says that he reached three quick conclusions:

- The leadership had to be changed if the SDP was to survive.
- The Party would require a very high profile if it was to be kept in public view.
- There would have to be a radical change in policy direction to get rid of the baggage of the 1960s.

There was also a personal decision: cancellation of the summer holidays if the aims were to be achieved. Dr Owen pulled it off within a few months. He succeeded Mr Roy Jenkins as leader without undue pain. His own profila has been kept relentlessly high ever since, not least by his performance in Parliament. And be shoved the Party into the 1980s by embracing the social market economy, or Thatcherism with a human face, at the SDP conference in the autumn.

But it was not until the by-elections this month that Dr Owen says that he believed that the Party's fortunes had been retrieved. He was particularly pleased by the SDP coming second, ahead of the Plaid Cymru candidate, in Cynon Valley, and second again in Stafford with a candidate whom Dr Owen had nursed from the start.

There is an important point here. Dr Owen still thinks much more about the SDP than about the Alliance. The achievement of the by-elections, he says, was that the SDP had shown that its candidates could do quite as well as the Liberals in comparable situations.

The need for the SDP to maintain a separate identity remains at the top of his political agenda. One reason is that he distrusts the Liberal Party: not the leadership, but the Liberal Assembly which reminds him too much of the Labour Party he left.

A plus point for the SDP, he claims, is that the Party has never said anything silly, whereas the Liberals are capable of saying silly things at any time: for example, on defence or Northern Ireland. Mr David Steel, the Liberal leader, notwithstanding. Mr Steel says, incidentally, that at least his Party has not got any worse in this respect in the last few months.

Dr Owen has another aim which will be developed over the next few months. He believes that a leader can give his or her party a really big jolt over policy only once and preferably at the beginning. (Not for the first time, the analogy with Mrs Thatcher comes to mind.)

He did that at the Party conference. Now he would not mind—to use an inapposite term—a drift back to the left. He says that he has been slightly misinterpreted. The speech on the social market economy stressed both toughness and tenderness. But it was the toughness that was picked up.

In future the emphasis will be more on the tenderness: the heart rather than the head. Dr Owen claims that his natural instinct is still to work with Labour rather than the Tories. The politics of the heart, he believes, are about redistribution and greater equality. That is what he is in politics for. These will be the themes of some of his speeches later this year.

In this he is remarkably in tune with parts of the Liberal Party. Mr Michael Meadowcroft, the Liberal MP for Leeds West who sometimes seemed resistant to the idea of the Alliance, turns out to be a strong admirer of Dr Owen. They could work together on the development of a common philosophy, though the SDP line at present is that it is still too early.

Much of that goes back to the need to preserve a separate identity. There are no immediate problems here. Both parties recognise the imperative of co-operating as closely as possible, and indeed they are doing so in the European elections.

The idea of a merger has also been mutually dismissed, at least this side of a general election. It would create too many practical difficulties of changing constitutions and so on. Instead both parties have accepted that they need each other for the foreseeable future: an electoral pact.

Trevor Humphries

David Owen and David Steel: on the European trail.

Yet there may be some trouble ahead. Dr Owen has still not given up his opposition to joint selection of candidates for Westminster by Liberals and SDP members. Again, the Liberals may want a rather higher allocation of seats to be contested at the next general election than they had in 1983.

One Liberal MP said that he thought it would be foolish to seek to push the SDP below 250. Mr Steel talks about a possible net reallocation of about 30—the original idea of the Alliance was rough parity. So it can be seen that there is sensitive ground to be covered.

Again, when it does come to policy discussions, the two parties still do not always see eye to eye, the outstanding example being defence (a question not yet resolved by the Labour Party either).

There may be also a longer term weakness. There has been a considerable lowering of sights since the days of the Crosby and Hillhead by-elections, the talk of a Prime Minister-designate and the hopes of a hung Parliament after Mrs Thatcher's first term. The main aim now seems a hung Parliament next time.

Perhaps that shows greater realism. Yet there appears to be an expectation that it will simply fall into the Alliance's lap as part of the logic of history. Dr Owen says that the SDP's main thrust will come in 1986 when unemployment is still high, people are more aware of the poverty problem and there will be local elections. Mr Steel talks of developing policies on profit sharing and employee participation and a negative income tax. Both claim that the Labour Party is still declining. But there is not yet much of a co-ordinated approach.

Still, in the short term the European elections are what matter. These are inevitably a hybrid affair. On the one hand, the electorate is being asked to state a national party preference. On the other, there is an amorphous idea in the background that it is being allowed to say something about the future of Europe.

Personally, I should like to see lots more cross-frontier campaigning, the beginnings of trans-national party alliances, e re-awakening of European federalism, or at least a greater realisation of common problems. For instance, can Europe collectively deal with unemployment?

But it seems that in Britain we shall have to settle for a contest about who comes second: Labour or the Alliance. Even that may be qualified by arguments about the size of the turnout, if too many Labour voters stay at home to make it a proper test of national opinion.

Yet the Alliance ought surely to do well, and it will be a pretty bad failure if it does not. It is, after all, the grouping that has most come to terms with membership of a wider community. The Tory manifesto is still heavily nationalistic and the Labour manifesto is still grudging about being in at all: there seems to be even less of a campaign for a socialist Europe than there was last time.

All that should help the Alliance which, it should be remembered, did not exist when the first direct elections took place in 1979. Besides, the first year of Mrs Thatcher's second term has not been entirely a happy one. There should be plenty of scope for protest voting without the risk of overthrowing the Government, scope for tactical voting, too, if the electorate is made sufficiently aware of the contest.

There is even the odd seat which the Alliance could win under the present voting system and not only in the Celtic fringe of Cornwall and Plymouth and Highlands and Islands. On the list of possibilities are Lothians, South of Scotland, Northumbria, Leeds and Merseyside West.

Because of the size of the constituencies canvassing has its limitations. Many of the candidates and the electorate are likely to be in the dark until the results are declared. Yet there must be a question in the back of the mind about that disaffected Tory vote in the home counties which showed itself plainly enough in the by-election in South West Surrey on May 3.

In sort, the Alliance has e great deal to play for in the next few weeks, as indeed has the Labour Party. But, almost whatever happens, the Alliance should have the compensation of drawing attention to the Fair Votes Campaign soon afterwards.

## Lombard

# The overmanned Commission

By John Wyles in Strasbourg

THE European Community's Foreign Ministers will be relaxing in the Provencal countryside of France this weekend almost certainly discussing, among other things, whether they should seek to divide 17 into 10. Their decision is an important one and any minister anxious to do his homework beforehand should read and inwardly digest "Proposals for Reform of the Commission of the European Communities and its Services."

Written in 1979 and only partially implemented by the Commission headed by Roy Jenkins which called for it, the Spierenburg Report, as it came to be known, firmly advised member governments that 17 would not go into 10 at all satisfactorily. Seventeen will be the total complement of Commissioners if the Commission is manned on the present basis after the EEC is enlarged to include Spain and Portugal in 1986—although the present state of the negotiations suggests that enlargement could be delayed until 1987.

Ten is the number of real jobs which, in Mr Dirk Spierenburg's view, the Commission can in fact offer. The review body headed by this former Dutch minister suggested that the Commissioners should be reduced in number from the beginning of 1981. Governments refused to grasp the nettle in 1980. Will they do so now?

There are several reasons why they should. The proposition before them is that every country should appoint only one commissioner instead of the large countries—France, UK, Italy, West Germany and, ultimately, Spain—nominating two. If everyone was limited to a single commissioner it is first argued that there might be an immediate gain in the quality of men—and perhaps one day women—sent to Brussels.

It could certainly be the case that governments may find it easier to persuade people of calibre to work in the Commission if they were guaranteed a worthwhile job. Portfolios are shared out in an unseemly and often rancorous first meeting of the new Commission.

It cannot be seriously argued that all Commissioners with "important" responsibilities such as transport (Lounnis Kontogeorgis of Greece who also does fisheries), social affairs (Ivor Richard of UK) and regional affairs (Antonio Giolitti of Italy) are actually overworked. Spierenburg argued for combining competition and transport, social and regional affairs, agriculture and fisheries.

He also claimed that the Commission's work was extremely poorly co-ordinated and that a body of 12 should be employed on 10 portfolios with a president taking overall charge and a permanent vice-president in charge of internal co-ordination. Such an arrangement, said his report, would ensure more efficient administration.

The report also acknowledged the arguments against a slimming down exercise: that after enlargement Commissioners would have to travel more frequently over greater distances, that having to function in Brussels, Luxembourg and Strasbourg was already a considerable strain on Commissioners and that a larger Commission reflected the relative size of member states and the political balance between them.

None was found convincing and Spierenburg went out of his way to remind governments that "the Commission's role in defining the interests of the Community as such does not require the number of members to be weighted by nationality."

But he was clearly doubtful of a warm welcome for his recommendation in EEC capitals and urged, as a second best, the creation of Commissioners without portfolio if the Commission was to remain full-sized. These would assist four of five of their colleagues with particularly taxing portfolios.

Where governments are in their thinking on the future Commission is not at all clear.

Within Whitehall there are some strong supporters of a smaller Commission and France and West Germany are said to be "persuadable." Italy is thought to be resolutely opposed on the grounds that coalition politics in Rome would be even more difficult to manage if only one nominee had to be found.

No one should be surprised if the status quo prevails, but if it does the president of the next over-endowed Commission, whoever he is, deserves our real sympathy.

# Letters to the Editor

## Bemused by tax changes

*From Mr D. Brooks*

Sir,—Mr Taylor, May 23, is mistaken if he thinks businessmen are bemused. Our worry arises from a most "objective" appraisal of the resources and incentive that will he taken out of industry, not just from the *fact that we shall have to pay* more. Corporation tax is a tax on efficiency and for many the effect of the changes is to increase this tax from nil to 35 per cent. I can assure Mr Taylor that so large an increase concentrates the mind wonderfully and that all appraisals are very "objective" indeed.

Yes, we would "rather escape all tax (on efficiency) in a system designed by Caligula, than pay a modest (35 per cent) levy to Augustus." Mr Heath underrated that too when be increased CT by 25 per cent; and so we opted for Caligula. Conservatives, take serious note.

David Brooks.
*245, Whitehorse Road, Croydon, Surrey.*

## Confusion abroad

*From Mr A. Rush*

Sir,—The criticism in your editorial (May 17) of Government attempts to "control" local authorities' capital expenditure was totally justified and most timely as far as I am concerned.

As a practitioner in local government finance who has to interpret the Government's edicts on capital controls and who is about to complete yet another capital expenditure return, I can confirm the accuracy of your comments.

Since the Planning and Land Act 1980 local authorities have become increasingly embroiled in the Government's own peculiar dream world of cash limits and pseudo accounting, which bears no relation to tha realities of life. It is just not a practical proposition to attempt to plan capital spending in a local authority on an annual basis in accordance with limits issued no more than 3 months before the start of the year.

You mentioned the confusion caused by the stop-go aspect; to this can be added the complications brought about by the powers of the Secretary of State to redefine what qualifies as capital expenditure, to reclassify capital receipts and to restrict the proportion of capital receipts which can be used.

All the detailed controls must be rostly to administer and are totally unnecessary; a system of control along the lines you suggested which would relate to borrowing and cover a longer period than one year would be easy to devise. Such a system would work with minimal monitoring in conjunction with the even more effective constraint of grant penalties (and rate capping!) which causa local authorities to cut back on many kinds of capital schemes because of the revenue impact.

A. Rush.
*49, Quex Road, Westgate-on-Sea, Kent.*

## Misunderstood Swiss secrecy

*From Dr F. Mann*

Sir,—Your leading article "A warning for Swiss bankers" (May 22) states that the key section of the proposal rejected by the electorate related to the evasion of foreign tax legislation and foreign exchange controls. Had the vote gone the other way, the Swiss authorities would bave been bound to requisition evidence from the banks to support foreign judicial anthorities investigating such offences alleged against their own citizens.

Is there any civilised country in which the anthorities are under a duty such as, according to you, the rejected Swiss legislation would bove imposed? I suggest that there are very few, if any, authorities which are bound (and entitled) to obtain evidence from banks to support foreign judicial authorities investigating offences against their tax or foreign exchange legislation. No such right or duty, I suggest, exists in this country. The Swiss law relating to bank secrecy has given rise to much misunderstanding and distortion.

(Dr) F. A. Mann.
*35-37, Cannon Street, EC4.*

## Employee benefits are protected

*From the Head of Policy Unit, Institute of Directors*

Sir,—Mr Alec Smith of the National Union of Tailors and Garment Workers (May 18) very much overstates his case about the position of his members' entitlement to State benefits following a company insolvency.

Let it be quite clear that, as Dr Rhodes Boyson MP, said in a recent Parliamentary answer, "unpaid Class 1 National Insurance contributions are normally treated as baving been paid on time for employees where the failure to pay was not with the consent or connivance of or attributable to any negligence on the part of the employee."

The facl that employees' benefits are protected notwithstanding the foct that a business may have rlosed leaving some contributions unpaid is a major protection for employees. Of course, the possibility of delay exists while the circumstances to which Dr Boyson referred are checked by DHSS officials—but where a worker is able to show pay slips testifying to his status as an employee and recording deduction of National Insurance contributions there can be little excuse for any significant delay in payment of benefits.

It is unfortunate that Mr Smith seizes upon such administrative delays within the DHSS as may exist to pursue quite another objective—namely to seek to perpetuate legislation which imposes personal liability upon company directors without proof of fault.

If Section 152(4) of the 1975 Social Security Act which imposes this liability were to be repealed, far from there being one law for working people and another for employers there would be an exact parallel.

This is because directors would remain personally liable for unpaid National Insurance contribntions where, under Section 147 of the 1975 Act, their consent, connivance or neglect was shown to bave been responsible for non-payment. Employers and directors would be in precisely the same position, exposed to personal financial loss only on proof of fault.

Surely this is the balanced and responsible position to which all those who are concerned to see the success of companies and the preservation of businesses and jobs must be striving.

G. C. S. Mather.
*116, Pall Mall, SW1.*

## Export credit subsidies for capital goods

*From the Director of Studies, Trade Policy Research Centre*

Sir,—In his letter (May 15) on subsidisation of export credit the Economic Director of the National Economic Development Office failed to clarify the issues involved. While it is impossible to deal with all of the points contained in bis lengthy letter, one essential issua needs to be addressed, namely, how Britain should react to subsidisetion of export credit by other governments.

Contrary to Dr Morris' suggestion, the existence of *subsidies* by others creates no presumption whatsoever in favour of the provision of malrhing subsidies. If other countries will provide the subsidy whatever Britain does, the resulting set of opportunities for trade is a datum. The argument for free trade in Britain is unaffected by what determines the set of opportunities, if those opportunities cannot be changed. To subsidise export rredit means that a gift is being made either to the buyer overseas or to the domestir producer or to both. In the former case the cost to Britoin is obvious, but even if the domestic producer will enjoy higher profits, output and employment than otherwise, someone else in Britain has to pay the price.

It may be argued that the subsidy policies of other countries ore unpredictable and the *international opportunities* correspondingly uncertain. This may be correct (although I know of no empirical support for the proposition), but if Britain cannot affect those policies the problem is exactly the same as that created by instability in completely free markets.

The only economic distinction between low prices created by subsidisation ebroad and low prices created by comprtition derives from the possibility thal the policies of other governments will be influenced by our own. Even under this assumption, bowever, the case for countervailing subsidies is far from watertight. One ran regard British subsidies as a sort of investment "project" to improve Britain's terms of trade. Thus, multilateral reductions in export subsidies, it may be argued, will raise the price that Britain can obtain for its exports of capital goods at some time in the future. The resulting improvement in economic welfare in Britoio would be the benefil of this "project" and the resource cost created now by the subsidies would be the cost. Whether such a subsidy "project" is justified depends on the extent of Britain's influence on the policies of others, on how soon, bow likely and how large would be the improvement in the terms of trade; and finally, on the size of the resource cost associated with the subsidies. It is perfectly possible that subsidies are not justified even by the apparently cogent multilateralist argument. Indeed, I find it difficult to believe that Britain's infinenco on the policies of other countries is very large.

In sbort, the issue is wbether, in the ligbt of existing opportunities for trade and Britain's influence upon them, subsidisation of exports of capital goods is likely to be more efficient than support of other activities or, alternatively, than no subsidisation at all. It is possible that subsidisation of export credit is justified, but the available evidence certainly does not demonstrate it. Given this ignoraore, one sympathises with Mr Brittan's view that the pleading would bave been more compelliog if it had not come from the industries concerned.

Martin Wolf.
*1, Gough Square, EC4.*

## Electricity costs for industry

*From the Managing Director, Bluebird Toys.*

Sir,—I am sure that the majority of industrial electricity users were as horrified and surprised as I was to see (May 10) the unit cost shown in the table compiled by the National Utility Service.

My enquiries (made locally) show that it is only the very large industrial consumers of approximately 10,000 persons per site who would obtain a prire as shown in the table. Further, this would apply to no more than 10 per cent of industrial/commercial users. It is therefore wrong of you to permit this information to be published, indicating to industry as a whole that they are getting very favourable terms, when it is clearly not the case for the vast majority of them.

Our own costs for a 90,000 sq ft factory, manufacturing, assembling, storing and distributing toys on a high voltage 250 kVa supply averages 4.7p-4.9p per unit—50 per cent bigher than that indicated in the table. Undoubtedly the mejority of industrial and commercial users would be similar.

May I enquire of the Electricity Board wbat its own computer analysis shows as an overall kw charge for industry—including fuel surcharges, maximum demand, etc, regionally and for the UK as a whole?

I believe this will sbow that the UK is currently being penalised by being among the highest rharged electricity users in the industrial nations.

T. Charnock,
*Cheney Manor Industrial Estate, Swindon, Wilts.*

# FINANCIAL TIMES

Friday May 25 1984



DANUBE DAM PROJECT POSES TEST FOR KADAR GOVERNMENT

## Greens take root in Hungary

BY DAVID BUCHAN, EAST EUROPE CORRESPONDENT

THE GREENS have reached Hungary. Thousands of politically active environmentalists, many of them prominent citizens, plus a few regular dissidents have signed petitions urging the Government of Mr Jan Kadar to pull out of a joint Danube dam project with Czechoslovakia.

The opposition is an increasing embarrassment to the Kadar Government, itself divided on the dam issue but publicly constrained by commitments to a communist ally.

It also poses a key test of "Kadarism", the process of government that has evolved in Hungary. As one opponent of the dam says: "It is a challenge for people to stand up and be counted, and a test of how far the official principle of consulting public opinion is put into practice."


The aim of the joint project is to tap the Danube's hydro-electric potential – offsetting for Hungary and Czechoslovakia some of the impact of cuts in Soviet oil and delays in nuclear reactor construction – and to improve navigation.

It will bypass the last major shallows on the Danube and combined with the probable opening this year of the Romanian canal bypassing the Danube delta, and the planned West German Rhine-Main-Danube canal, will make it easier for big ships to sail form the Black Sea to the North Sea.

The Czechoslovak part of the scheme is the creation of a vast storage lake South-East of Bratislava, with a side canal diverting most of the Danube water for 15 miles. Water from the new Danube lake will be released in surges through the canal to generate peak-time power at a 720 MW hydro-electric station at Gabcikovo. Nearly 125 miles downstream the Hungarians are supposed to be building a dam at Nagymaros, partly to generate more peak power with 158 MW turbines and partly to contain the water surges from the Gabcikovo canal.

Both governments have had plenty of time to contemplate the programme. Even before a firm agreement was signed in 1977, the water authorities of the two countries had years to commit their prestige to the dam, and that is part of the problem.

Czechoslovakia, with a political system much less mindful of dissident opinion, is forging ahead, and the Gabcikovo canal is under way. But Hungarian moves have been desultory so far. It stopped work at Nagymaros in 1981, citing lack of funds for a scheme where its share of the cost is 40bn forints ($846m).

Last October the Kadar Government signed a new agreement in Prague, recommitting itself to the project, letting the original date for completion slip four years until 1994. What angered many Hungarians was that their government did not wait for completion of its own project evaluation studies before acting, says Mr Janos Vargha, an environmentalist on one of the study committees.

Inevitably in East Europe, nationalist suspicions enter the dispute. Some Hungarians allege that the Czechoslovak canal is a ruse to alter the frontier by effectively moving north the river which marks the boundary. They say Hungarian-speaking areas in Czechoslovakia near the canal are being "slovakised" by the influx of Slovak workers, and that the canal is a ploy to bolster business for Bratislava. A new international river port is being built there with Comecon (and thus Hungarian) money, taking shipping away from Budapest.

The thrust of the Hungarian petitioners' arguments is economic and environmental and is echoed by some Czechoslovaks. The Gabcikovo-Nagymaros project runs against the world trend towards using oil for peak power production and hydropower, along with coal and nuclear power for regular output, they point out.

Hungary needs more regular, not peak, power stations, but the Nagymaros cash drain will make it harder to build them. In any case, the Danube is often at its lowest level in winter, before Alpine snow has melted and when demand is highest.

Slower movement of the Danube through the Gabcikovo storage lake will clog it with weed, it is argued, while the general raising of the water table near both parts of the project will spread pollution into rich surrounding farmland.

Mr Vargha says that many Hungarian villages get their drinking water straight from river bank wells, and the alternative of artifically purifying river water will cost 1bn forints a year.

The Kadar Government has recently imposed a virtual press blackout on the subject, although some officials are thought to sympathise with the dam's opponents.

## London markets hit by worries in U.S.

By Philip Stephens in London

PRICES FOR British shares and government bonds fell sharply yesterday as fears of higher interest rates and concern over the future of U.S. banks spilled over into London's financial markets.

Shares suffered the second biggest daily fall on record, with the FT Industrial Ordinary index closing 21.2 points down at 826.4. Gilt prices dropped by as much as £2 in what brokers said was the worst trading for more than two years.

Initial losses in both markets reflected a strong rise in British money market interest rates in response to higher levels in the U.S. and the weakness of sterling.

The increase brought renewed speculation that British banks would soon have to raise their base lending rates from present levels between 9 and 9¼ per cent.

Rumours that another major U.S. bank faces financial difficulties then brought further selling in the gilts market and big losses for bank share prices.

Some brokers said the gilt slide had been partly triggered by rumours that a major U.S. institution had sold large quantities of stock.

The general uncertainty on financial markets also encouraged investors to put their funds into short-term instruments rather than boods.

Sterling's recovery against a plummeting dollar in New York came too late to offer any succour to the London markets.

**Our markets staff adds:** The Tokyo market managed to distance itself from the worries afflicting its counterparts in London and New York. Although trading there had finished yesterday well before the other two centres opened, sentiment in equities and domestic bonds was severely affected over the past week by setbacks encountered in other markets.

But yesterday brought the fourth largest gain recorded in the Nikkei-Dow market average, which soared 228.26 to 10,251.72. However, trading activity picked up only slightly from the previous day.

Yields on bellwether Japanese Government bonds edged slightly downward despite the previous afternoon's retreat in U.S. Treasury securities.

Lex, this page; Stock markets Pages 31 and 35-37

## Shell U.S. offer is extended

By William Hall in New York

ROYAL DUTCH/Shell, the European oil company, announced yesterday that it controlled 94 per cent of Shell Oil, its U.S. subsidiary, and was extending the $58 per share cash tender offer until May 30.

SPNV holdings, a subsidiary of Royal Dutch/Shell, announcing the second extension of its controversial tender offer, said yesterday that 76.5m shares out of the 94.7m remaining Shell Oil shares in public hands had been tendered under its offer, which expired last Wednesday.

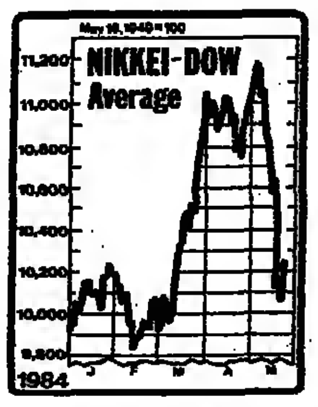
Royal Dutch/Shell's offer for Shell Oil has been criticised because many small shareholders believe the price is too low. Their case has been supported by a U.S. court which has temporarily blocked the bid and asked Morgan Stanley, Royal Dutch/Shell's advisers, to take another look at confidential information on Shell Oil's oil reserves, in order to determine the fairness of the offer to minority shareholders.

Royal Dutch/Shell was unable to say yesterday when the bank's opinioo of the offer's fairness would be published, but said shareholders would be able to band back their shares to Shell if they wisbed during the 20 days after publication.

THE LEX COLUMN

## Bitter cocktail from Manhattan

Stockbroking firms were calling up all veterans of the 1974 campaigns for active service yesterday as the whiff of a bear market continued to drift across the City of London. The 53.5 point fall in the FT 30-Share Index seen over the past three days may turn out to be no more than another correction, inspired this time by U.S. selling, but it is disturbing to see so little evidence of local support at a time when the institutions are by no means short of cash and profit statements are doing nothing to disappoint the market's earlier confidence.




Yesterday, equities and gilt-edged were savaged in roughly equal measure. The miners' dispute and the Gulf crisis have both taken their toll on confidence, but at the heart of the present malaise is undoubtedly the fragile condition of the U.S. banking industry and the associated nervousness of Wall Street's financial markets.

Gilt-edged staged several peremptory rallies but, at the end of the day, losses of at least two points had been recorded at the long end of the market. In the circumstances, there is little for the Government Broker to do except wait on the sidelines and hope that external items will come to the rescue of the monetary aggregates. The market itself is still revising upwards its expectations of monetary growth in the latest banking month and is eyeing the exchange rate nervously for signs that the Bank of England may step in to brake the fall. Yet, at the moment, there can be no guarantee that half a point on base rate would stop the rot.

### Plessey

Plessey was at pains to reassure on every point yesterday. The company has no plans to buy British Aerospace, or even Distillers for that matter. Rumours of design faults on System X are unfounded and the U.S. operations are ticking over with digital precision. The market's reaction to all this was to knock 8p off the share price, leaving it within a whisker of its year's low at 200p.

Liquid resources of £325m enable Plessey to take a fairly cavalier view of the stock market's judgment but, after all the growth of recent years, the company may feel puzzled by a rating which values the shares at only 13 times last year's earnings.

Plessey has admittedly yet to establish that it can build a significant world market share in the telecommunications industry – and in particular graft features of System X on to its existing public switching product in the U.S. – but the company is not short of either financial muscle or, to judge from recent results, engineering and marketing clout.

Profits in the year to March rose a fifth to £176m pre-tax, a figure struck after stock write-downs of £5.5m. Earnings have risen almost twice as fast thanks to a tax rate which is falling and should barely be disturbed by the changing fiscal regime.

Leaving aside the persistently troublesome computer peripherals, every division is showing encouraging growth and the underlying order intake is strong. Meanwhile no matter how much money Plessey spends, it still manages to generate cash.

### Cater Allen

Cater Allen's rights issue is a bold affair in every respect. The company took the bear by the paws in announcing an issue carrying a rights discount of just under 15 per cent on one of the worst days for the equity market in memory. Braver still, however, was the implicit message that Cater plans to chart its own course through the market rapids. A rights issue at this point is tantamount to a declaration of independence.

The sum being raised – roughly £9m – will not have Merrill Lynch quaking in its boots but it should provide Cater with a modest capital base for market-making in short gilt-edged. The Bank of England has not wavered in its insistence that no fresh capital should be injected into the discount market, so the proceeds will kept to one side until the gilt-edged dealing rules are loosened.

Cater accompanied the announcement with a very respectable set of preliminary figures, although it neglected a glaring opportunity to move to full disclosure. There is no earthly reason why shareholders should be expected to provide additional capital to Cater when they have little idea how much capital they own already.

### Japan

After falling more than 10 per cent in three weeks, from its historic peak, the Japanese equity market could scarcely have remained in free fall for very much longer without casting doubt on the laws of physics. Correspondingly, a bounce yesterday of 228 points in the Nikkei-Dow index – apparently the fourth largest rise in the history of the Tokyo market – may not be saying an awful lot about where the market is going next.

A definite weakness of the market, on the way up, was that foreign investors took rising prices as a chance to sell stock to the highly liquid Japanese institutions; foreign funds have been consistent sellers of the Tokyo market since February. This did not matter so long as domestic confidence remained strong; but the vulnerability of the yen to soaring U.S. interest rates, and of the Japanese economy to disruptions of its oil supply, were enough to choke off some of the local buyers. The liquidation of very large margin positions then naturally ensured that the fall would gather speed.

Japanese investors are still wallowing in cash, and yesterday's rally could help to reinforce belief in the idea that 10,000 is a well-supported floor value for the Nikkei-Dow index. Moreover, their sustained selling ought to have left many foreign funds in a position to start picking up blue-chips – which they frequently had to sell when second line stocks proved unmarketable – at prices which are often between 20 and 30 per cent off the top, and at multiples typically in the mid-teens. That is cheap by Japanese standards, assuming that confidence is repaired; but in that event Japanese investors would most characteristically lose interest in p/e ratios.

The catch is that the parallel weakness of Wall Street will have siphoned off the liquidity which U.S. funds built up by selling out of Japan. So if there is a rally some will treat it as yet another chance to sell. At least yesterday saw more sizeable foreign buying than for many weeks past.

## Cockerill Sambre lay-offs accepted

By Paul Cheeseright in Brussels

THE PLAN to return Cockerill Sambre, the state-owned Belgian steelmaker, to financial health took a decisive step forward when union leaders in Liège accepted a plan for lay-offs and wage reductions.

Early retirement for workers of 55 will start almost immediately. Those who remain are accepting an effective 10 per cent pay cut which will be achieved by foregoing increases to which they would normally have been due under Belgium's system of pay indexation. Employees changing jobs as part of the reorganisation of the group will not lose wages for doing so.

The management and unions have, however, agreed to a 36-hour working week, to come into effect next year. A 35-hour week will come into effect at the beginning of 1986.

As part of a broader regional financing plan the Government has provided new funds for Cockerill Sambre, effectively recapitalising the group. A production sharing agreement has been reached with Arbed of Luxembourg, clarifying the question of which plants to close.

The group will receive BFr 27bn ($483.2m) of further state funds for new investment and operating losses once the European Commission has been convinced that the group can achieve financial viability by the end of 1985.

## UK offers more offshore blocks to international oil industry

BY DOMINIC LAWSON

THE BRITISH Government is opening up 195 blocks for the international oil industry at the start of the ninth round of UK offshore oil and gas licences.

In a House of Commons statement yesterday Mr Alick Buchanan-Smith, the Energy Minister, said that be expected to licence about 80 of the blocks, after the oil industry had made its bids by the closing date of December 17.

The round's most novel characteristic is the offer of 38 blocks in the deep water frontier areas of the Rockall and Faeroes Troughs. These unexplored areas will be among the most hazardous and speculative ever prospected, but the Government is twisting the oil industry's arm by saying that applicants for these areas will be treated more favourably in the awards of more obviously desirable acreage.

It appears that the oil industry is prepared to take up the Government's challenge, and several new consortia have been formed to bid for the frontier areas.

The speculative nature of the West Coast frontier blocks was highlighted by the publication a fortnight ago of the Department of Energy's Brown Book. This estimated undiscovered reserves off the west of Shetland and mainland Scotland as anything between under 200m barrels and almost 7bn barrels.

As in the previous two licensing rounds the Government is offering 15 blocks in the mature area of the North Sea, by auction. The highest cash bidder will get his choice. Last time around the 15-block auction fetched almost £33m ($45.5m). The auction is at the behest of the Treasury, which sees licensing rounds as a good way of raising money.

The Brown Book, suggested that up to 14bn barrels of oil could still be discovered in the mature North Sea areas, about as much oil again as has already been proven in UK waters.

Some blocks on offer, particularly those just off the south coast of England, are in positions of great environmental sensitivity, and there drilling restrictions will be applied. One highly promising area offshore, just a few miles from the Wytch Farm oilfield, is not being offered because of the proximity of a Ministry of Defence coastal firing range.

The consultations between the Department of Energy and the Ministry of Defence have been more arduous than is usual in licensing rounds, because of the opening up of west coast waters which are actively used by submarines and other naval traffic.

## Swedish investment boards shunned

BY DAVID BROWN IN STOCKHOLM

SWEDEN'S FINANCE Minister, Kjell-Olof Feldt, admitted yesterday that the Government had been unable to find a single representative from private industry willing to serve on boards of the controversial "wage earner funds."

Instead, he appointed members to four of the five boards – which administer investment funds financed by a tax on corporate profits – from the ranks of state-owned companies and the labour unions. The Government has not yet been able to find members for a fifth board.

"It is deeply regrettable that members of private industry did not take the opportunity to sit on these boards," said Mr Feldt.

The funds – which are being set up by the Socialist Government to expand labour influence in corporate decision-making – were pushed through the Swedish parliament late last year by a slim margin despite unanimous resistance by the non-Socialist political parties and opposition by the majority of Sweden's voters.

All three opposition parties are committed to dismantling the system and the issue is expected to dominate the 1985 election campaign.

The funds will draw some SKr 1.4bn ($175m) this year from 1983 corporate profits and will formally start operations later this summer by buying shares on the open market.

Under the current scheme, the funds will collect an annual SKr 2bn until 1990, by which time they will control an estimated 7 per cent of the total current value of Swedish public stock.

## U.S. bank shares fall

Continued from Page 1

run" – the small group of top U.S. banks' whose paper commands the finest rates.

Scepticism about the rumours centred on the belief that Manufacturers – unlike Continental Illinois – was over, rather than underfunded just now. The bank has also boosted its capital and loan loss reserves recently, and received Federal Reserve Board approval for its $1.5bn acquisition of CIT Financial. Though this is claimed to be the largest banking transaction in U.S. history, the Fed is though unlikely to have approved it if it would put undue strain on the bank.

Worries spilled over into UK domestic markets already depressed by bad news including the miners strike. The big clearing banks showed large losses.

Continental Illinois, whose problems precipitated the nervousness in the world's money markets saw its shares fall to a new low of $7⅞, valuing the institution, which has capital of over $2bn at just over $300m. It closed at $8.

## EEC integration call

Continued from Page 1

speeds" or "variable geometry" that has often been whispered about. In the Benelux and West Germany, there has long been a feeling that those countries that want to expand the areas of co-operation should be free to do so.

The UK has often been unfairly accused of standing in the way, since obstacles posed by other member states have been real ones. They may mutiply after Spain and Portugal join the EEC which Mitterrand hoped would be in 1986.

Much of the president's 40 minute address yesterday was devoted to reviewing events under France's tenure of the presidency of the EEC's Council of Ministers.

In a skilfully crafted build op to his initiative, the president condemned the "petty squabbles" which had paralysed the Community in recent years, set out the progress made in solving them under French leadership and promised new agreements in the realms of social affairs, transport and the environment.

He also suggested working on a new Community agenda for the 21st century.

## World Weather

| | | °C | °F | | | °C | °F | | | °C | °F | | | °C | °F |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Ajaccio | F | 18 | 64 | Dubrovnik | – | — | — | Malaga | F | 20 | 68 | Salzburg | F | 16 | 61 |
| Akrotiri | S | 26 | 79 | Faro | F | 19 | 66 | Malta | S | 22 | 72 | Seoul | C | 25 | 77 |
| Algiers | C | 21 | 70 | Florence | – | — | — | Manila | C | 33 | 91 | Singapore | R | 31 | 88 |
| Amsterdam | R | 12 | 54 | Frankfurt | C | 10 | 50 | Miami | F | 26 | 79 | Stockholm | F | 19 | 66 |
| Athens | S | 26 | 79 | Funchal | C | 18 | 64 | Milan | F | 18 | 64 | Strasbourg | R | 13 | 55 |
| Bahrain | C | 33 | 91 | Geneva | S | 18 | 64 | Moscow | C | 24 | 75 | Sydney | C | 21 | 70 |
| Bangkok | C | 34 | 93 | Gibraltar | F | 18 | 64 | Munich | F | 14 | 57 | Taipei | C | 27 | 81 |
| Barcelona | F | 18 | 64 | Guernsey | S | 15 | 59 | Nairobi | – | — | — | Tangier | – | — | — |
| Beirut | S | 24 | 75 | Helsinki | S | 20 | 68 | Naples | – | — | — | Tehran | – | — | — |
| Belgrade | F | 19 | 66 | H. Kong | C | 27 | 81 | New Delhi | S | 44 | 111 | Tel Aviv | S | 29 | 84 |
| Berlin | S | 15 | 59 | Innsbruck | F | 16 | 61 | New York | T | 25 | 77 | Tenerife | D | 19 | 66 |
| Biarritz | C | 12 | 54 | Inverness | C | 13 | 55 | Nice | F | 18 | 64 | Tokyo | C | 20 | 68 |
| Blackpool | F | 14 | 57 | Istanbul | F | 23 | 73 | Oporto | F | 15 | 59 | Toronto | F | 19 | 66 |
| Bordeaux | C | 14 | 57 | Jersey | S | 15 | 59 | Oslo | S | 17 | 63 | Tunis | S | 24 | 75 |
| Brussels | C | 14 | 57 | Jo'burg | C | 17 | 63 | Paris | F | 15 | 59 | Valencia | F | 20 | 68 |
| Budapest | C | 17 | 63 | Las Palmas | F | 20 | 68 | Prague | R | 12 | 54 | Venice | – | — | — |
| B. Aires | R | 16 | 61 | Lima | C | 21 | 70 | Reykjavik | S | 5 | 41 | Vienna | F | 15 | 59 |
| Cairo | C | 36 | 97 | Lisbon | C | 17 | 63 | Rio de J'o | S | 27 | 81 | Warsaw | C | 15 | 59 |
| Cape Town | – | — | — | Locarno | C | 17 | 63 | Rome | C | 19 | 66 | Zurich | F | 15 | 59 |
| Caracas | C | 28 | 82 | London | S | 21 | 70 | | | | | | | | |
| Casablanca | – | — | — | Los Angeles | C | 20 | 68 | | | | | | | | |
| Copenhagen | S | 10 | 50 | Luxembourg | D | 8 | 46 | | | | | | | | |
| Corfu | S | 22 | 72 | Madrid | F | 14 | 57 | | | | | | | | |
| Dublin | C | 15 | 59 | Majorca | F | 19 | 66 | | | | | | | | |

*Readings at mid-day yesterday.*

C–Cloudy D–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

## Beatrice raises offer for Esmark

Continued from Page 1

which include a range of meat and tomato-based products, represent a classic manoeuvre called "selling the crown jewels" to protect a bid from a last minute competitor.

Beatrice, a $9.28bn-a-year food conglomerate whose brand products include Tropicana orange juice, Meadow Gold dairy products and La Choy oriental dishes, said when it made its original offer "our combining with Esmark presents a unique opportunity to accelerate the implementation of Beatrice's market driven strategic plan and achieve our goals much more quickly."

Mr James Dutt, Beatrice's chairman added "for the last year and a half we bave been carrying out a strategy aimed at making Beatrice the premier worldwide marketer of food and consumer products. We have restructured and realigned our entire organisation, made significant strides in our divestiture programme and invested heavily in new marketing programmes."

Beatrice has disclosed in Securities and Exchange Commission filings that it has arranged $2.8bn in bank credit to finance any deal. Beatrice bas also made it clear it would repay the loans largely by selling unwanted Beatrice and Esmark units following any merger.

When Beatrice made its initial offer Mr Dutt said the company would embark on "an aggressive divestiture programme" selling those companies which did not fit Beatrice's strategic objective following the merger.

If Beatrice wins the battle for Esmark it would represent almost an exact copy of Esmark's successful battle for Norton Simon last year. The bid battle for Norton Simon was launched with a surprise offer from Mr David Mahoney, the company's chairman at the time, to take the company private. Subsequently KKR joined the battle only to lose out eventually to Esmark.



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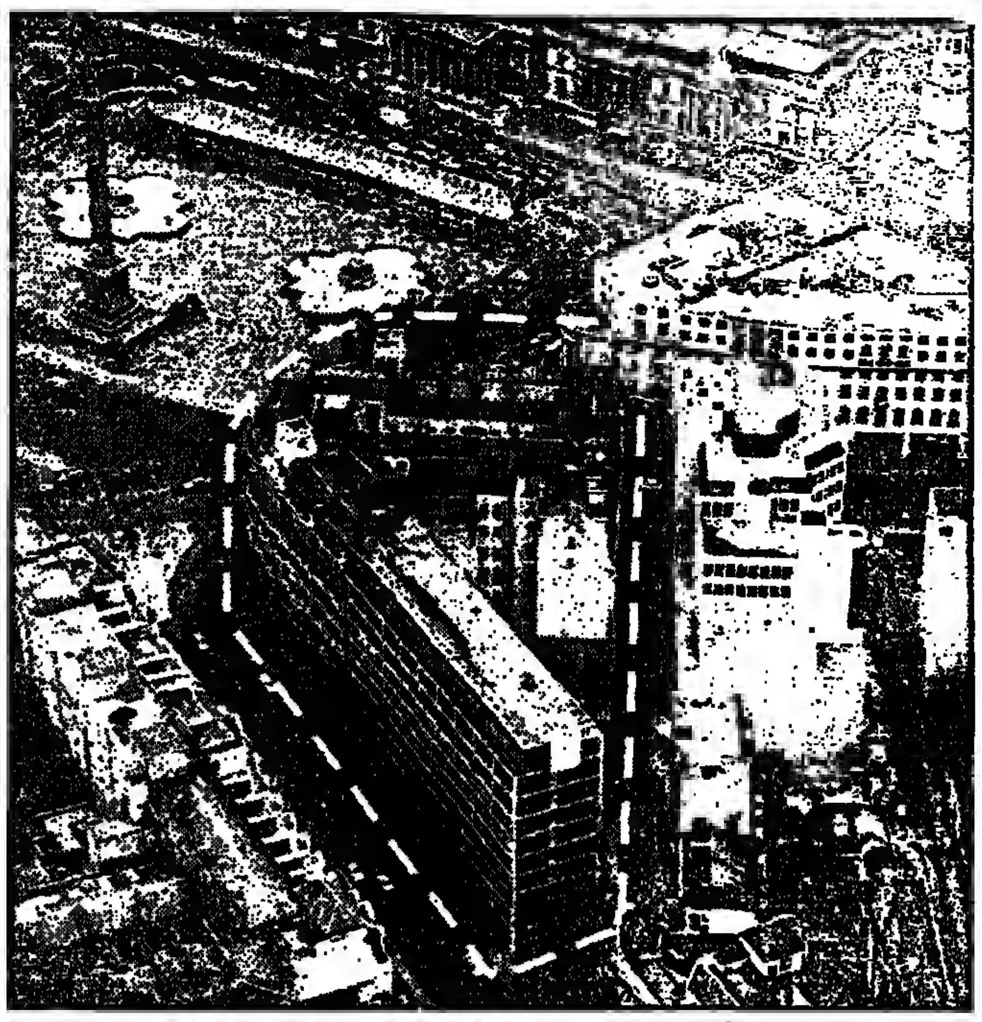
# FINANCIAL TIMES SURVEY

# Office Property

Market conditions favour the occupier, who continues to be highly selective in terms of quality and location. Despite this, however, development is still proceeding, geared to a similar range of criteria



Land Securities has taken the unusual step of launching an open architectural competition to find a replacement design for Grand Buildings. Trafalgar Square, as well as the adjoining Standard House on the island site

## Intriguing phase of development

BY WILLIAM COCHRANE

THE UK office property market is in an intriguing phase. Vacant buildings are at historically high levels yet development has not moved into decline. The occupier has the whip hand and has demonstrated it in a number of ways, including a distinct unwillingness to move in 1981 and 1982.

Now it looks as if the occupier will be more inclined to make that delayed move over the next couple of years. Sound minds in the property industry, however, are hoping that tenants will continue to be extremely selective in terms of *the location and quality of the* premises they will take.

According to Hillier Parker, office space available in Britain almost doubled to 27.4m sq ft in the three years to January 31 last. The occupier, clearly, was voting with his feet for much of that period. Those who contioned to take space in 1981 and 1982 could afford to avoid mediocre buildings and locations and the institutions which funded those buildings have now woken up to the fact that they have to invest in what the occupier wants.

Developers around the country are remarking on the new breed of big-space users—solicitors, accountants, stockbrokers (again) and others of the pin-stripe ilk who are surprisingly aware of what a new and operationally efficient building should provide.

A requirement for large floor areas combined with good natural lighting has led to an epidemic of atria in new development. The large spaces have meant that the developer has had to build in flexibility of floor space use; and the development of computers as a standard office tool has combined with that in the promotion of raised floors—leaving a void to house cabling for computers and telecommunications, as well as making it easy to shift that cabling around.

### Personal purse

Another characteristic of the accountant, solicitor or stockbroker is that he or she is frequently in a partnership situation — certainly, the decision makers ought to be—and spending money out of his or her own personal purse.

For them the recession seems to have ended. Solicitors who have been getting by on other people's bankruptcies are now back into new company formation and they have the wherewithal to make the move which might have seemed logical but risky on a personal basis two or three years ago.

Major industrial users, however, may be in a cleft stick where their headquarters offices are concerned. Many companies are now looking at head office operations as a sort of liability, says Mr Stephen Hubbard of Richard Ellis.

Recession put demands on industrial companies to be more efficient. Many of them responded by putting the financial squeeze on operating units out of the urban office locations, in many cases delegating bright people from head office to operating level.

"All this has rebounded on the directors," says Stephen Hubbard. He notes that in 1979 British Leyland had over ½m sq ft of office space in central London. "By 1981 they had trimmed that to 35,000 sq ft and by the end of this year they will have none," he says.

Moves like this are frequently categorised as decentralisation. In truth they often have less to do with the property industry than with the life cycles of the companies concerned; back-up staff can be housed more comfortably and more cheaply elsewhere. Major landlords are now looking to the service sector of the economy to provide the tenants for central London space.

There is the feeling that the service sector will be encouraged to spend more on office property by the last Budget and its implications. A progressive reduction in corporation tax is going to leave more in corporate coffers. The phased reduction of tax allowances on capital spending may, in these circumstances, turn the corporate mind towards revenue expenditure and a move to new premises.

The great test of this theory will be in central London where the latest CLOR (Central London Offices Research) report from Jones Lang Wootton examines the facts and figures behind the renewed optimism in the market.

"In our first CLOR report (December 1982)", say JLW, "we stated that the then scales of new development would pose a severe test of the strength of the Central London office market.

### Sustained level

"Demand at that time was weak and we expected a slowdown in the rate of development starts . . .". As it was, in 1983 there were 96 starts promising 4.72m sq ft, compared with 79 and 3.9m sq ft in 1982. JLW sums it up by saying that an historically high and sustained level of development will prevail for at least the five-year period 1981-85.

Against that they say that new office floorspace is being consumed at a faster rate than it is being produced at present. "There can be no question of a 'glut' of new developments."

The refurb/redevelopment option, says JLW, could represent a counter-cyclical development *impetus. With this,* and faster construction times, the "boom and bust" of previous decades could give way to a more orderly development profile, the firm concludes.

The next stage in the game should be the establishment of new record rent levels in the City and West End of London and in other favoured areas of the South East — although, incidentally, local property agents are expecting to see new "highs" established for rents as far north as Glasgow and Edinburgh.

That might encourage a more visible investment presence on the part of the institutions—available lately, and largely, as funders of particularly prime new development but not so much as buyers of completed investments.

Meanwhile Richard Ellis think that the funds are beginning to learn that a standard 25-year lease might not be to their best advantage. Historically, a good covenant and a long-term commitment from the tenant have left the institutions feeling comfortable.

They have learned, says Stephen Hubbard, to expect a good review in the fifth year of occupation, moderate growth in the tenth and then to see a discount in prime rental values reflecting an ageing building.

"Forward - looking funds," says Mr Hubbard, "are seeing that a 25-year lease locks them out of growth and that a ten-year term would allow them the opportunity to go in and improve the building, probably at far more moderate cost."

Ellis note that funds are much more likely to accept this proposition in their role as developer/investor. "If they own it, they will accept advice," says Mr Hubbard. "If they are now investors, schizophrenia sets in and they still want a 25-year lease."

*Last year also tested* the old "location, location and location" theory of what makes a prime property. Mr Gordon Pipe of Healey and Baker is on record (in the Investors Chronicle) with his view that "prime" means much more than that, including fundamental considerations of quality—both in terms of design and layout, and materials and construction.

Operational quality has shifted big names to Cutlers Gardens, the once unfancied Greycoat development on the eastern fringes of the City. It has taken the American bank, First Chicago, out of the City altogether to MEPC's Long Acre development near Covent Garden.

But moves like this and the bevy of merchant bankers shifting to fringe or near-fringe locations is about costs as well. As one American banker said: "It is no good housing hundreds of back-up staff in the City at rents of over £30 a foot."

The City fringe, almost a bad joke two years ago, is clearly going to expand further, providing good space at well under that £30 a foot and a repository for all that is good, bad and sometimes plain ugly in modern architecture.

In the country as a whole, pockets of undersupply in certain areas—St James's and Mayfair in the West End of London, some parts of the Home Counties—will continue to be flourished when talk turns to oversupply elsewhere; and once operational quality is achieved as a standard that old adage about location, location and location will probably hold sway again.

CONTENTS

# Marked upturn in lettings is still awaited

IF IT is true that the office lettings market in the UK is at last beginning to recover from its recent mauling by the recession, then it is equally undeniable that the recuperation is going to be a lengthy process.

For the commercial shake-out which saw office occupiers shedding people and space at an alarming rate not only threw the forces of supply and demand well out of balance, it changed some long-standing attitudes towards office accommodation.

An upturn in demand may become increasingly evident over the next few months but the improvement will not necessarily be equally spread geographically or across the range of buildings available.

The extent of the recent weakness in the country's office markets have just been very clearly underlined in a detailed review undertaken by agents surveyors Hillier Parker, May & Rowden.

According to the survey, the volume of available office floorspace in Britain was standing at record proportions by the end of 1983, despite the fact that the amount of accommodation let in the second half of the year was the highest recorded by the agents and the third six-monthly rise in succession.

The review, which included only buildings over 20,000 sq ft, also showed that although the amount of floorspace coming on to the market had fallen slightly in tha latter part of 1983, it was still no less than 60 per cent higher than the level taken out of the market by lettings.

In detail, Hillier Parker estimated that the end of 1983 saw just over 27m sq ft of office floorspace available for letting. During the year 7.7m sq ft were let, implying a year-end stock sufficient to satisfy prevailing demand levels for nearly four years.

By way of contrast, the agents pointed ont that the volume of floorspace available for tenants at the end of 1983 stood at almost twice the level (14.7m sq ft) recorded in Britain at tha atart of 1981.

### Floorspace

Hillier Parker also emphasised that, of the total office space becoming available over the last three years, an increasing proportion of it was accounted for by new developments. Floorspace in new schemes has, according to the agents, been growing at three times the rate of space in existing buildings and by January last stood at nearly 16m sq ft out of the 27m sq ft total.

A spate of new office property during a period of particularly depressed demand could be attributed simply to the inbuilt time-lags in commercial development, which nearly always ensure that one side of the supply and demand equation is waiting for the other to catch np.

But although the mechanics of property development may represent part of the cause of the continuing imbalance, there is little evidence to suggest that the developers' enthusiasm for starting fresh schemes has been necessarily aquashed by the weak market.

They are certainly not pressing on with new schemes in the blind belief that a tenant or owner will automatically be waiting in the wings at the end of the development programme but there has been surprisingly little reluctance to proceed with projects located in the right place and offer the standards of accommodation and levels of operating efficiency which the occupier now expects and increasingly insists upon.

### Cautious

In short, the developer—like his potential customer—has become much more aelective. In the broadest terms, this has meant a continuation of active office development market in London—if the opportunity arises — around the south east corner of the country and out west, along the Thames Valley.

Along the Thames, for example, Hillier Parker have estimated that over 80 per cent of the increase in office space availability during the second half of 1983 was in the form of new developments.

In most other provincial markets, however, the approach has remained much more cautious. The last spate of overbuilding is still being felt in several principal regional office markets. In most cases rents still show little inclination to move ahead but there is growing confidence that a further phase of development may not be too far away.

It is clear that aoma office markets will respond much more positively than others to a revival in demand. In the West End of London, for example, which in 1983 recorded an empty office inventory of over 5m sq ft, there are signs that the stock is beginning to fall quite quickly. The position is certainly repeated in the City, where a 1983 space surplus peak of around 4.5m sq ft is rapidly dropping back.

But the big question facing the office sector, irrespective of the strength and continuity of the apparent upturn in demand, is how much of the existing stock of office property will find a taker this time around.

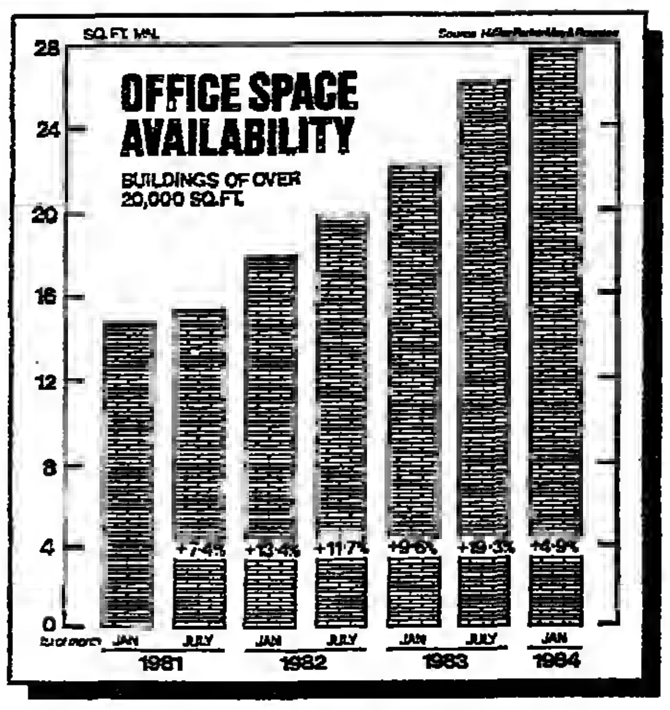
The recession may have cut back occupiers' space ambitions but there is every indication that it has raised expectations in terms of efficiency and quality of surroundings.

In an interesting indication of what might lie ahead, tenants taking space in the City have been showing themselves much more prepared to relegate location in their list of priorities and to bring standards of accommodation to the top.

The net result is likely to be the continuing polarisation of prime and secondary quality property and in turn a widening in the investment performance gap between the two categories.

Awareness of the potential problems locked into ageing office property seems to vary substantially between owners but an increasing proportion of investment funds are now being injected into revitalising property which, until the latest market set-back, usually found occupiers without too much effort.

**Michael Cassell**




# Rates burden affecting choice of location

THOUGH the days of rapidly escalating rate increases may be over—and the Government is struggling to ensure they never return—the commercial property market is still having to live with the consequences.

For whatever the future may hold the last few years of high local authority spending, the bill for which was unceremoniously dumped on the occupier, created widespread and deep distortions in the local rates burden.

At one stage it seemed the rates bill became the potential tenants' principal preoccupation, even overshadowing rent and other overheads. In reality rates were by no means the biggest single cost element but they were rising fast and, more important, the occupier had none of the powers of negotiation or consultation which applied to rents. Calls for a commercial ratepayers' franchise were understandable, though the chances for its implementation seem very remote.

Now the heat may have gone out of the situation but the rates element in total occupation costs has become a much more significant factor in location decisions. With rates in some boroughs, particularly in inner London, still rising at more than twice the rate of inflation, they are likely to remain so.

Over the last year or so the weak lettings market has in some circumstances seen a reduction in rental levels but rarely has an occupier received a lower rates bill.

A new survey conducted by Dron and Wright, the London surveyors and agents, shows that occupation costs over the last twelve months hava continued to rise, with rates in some inner London boroughs still moving ahead quite sharply.

The market is now well aware of certain London rate "black-spots," such as Camden and Southwark, where the high rates burden — combined with the unpredictability of future trends—has made properties hard to promote and even more difficult to fill.

### Cheaper

The agents point out, for example, that the average rent and rates bill in Southwark, on the south bank of the Thames, has now reached £30 a sq ft—an increase of just over 10 per cent on the previous year. With average rental values standing at £11.50, rates hava reached £18.50 a sq ft. Schemes like St Martins' London Bridge City development may well offer much cheaper rental alternatives than anything north of the Thames but rates are now running an average £3 a sq ft higher than in the Square Mile.

The rates burden has been regularly used by office occupiers moving out of London as a principal reason for their decision, though a closer examination of the circumstances usually shows that the relocation decision is based on a number of considerations.

The exodus of major office users from the capital has been invariably attributed to the rates burden, although last year's report from Jones Lang Wootton said the trend had been exaggerated and that the rate of decentralisation did not appear to have increased significantly. It did show that "economy" provided the principal motive for relocation but that this included a large number of cost factors, of which rates was only one.

**M. C.**

**INNER LONDON RENTS & RATES 1984**
(£ per sq ft; twelve month earlier figures in brackets)

| | Rental values | Rates payable | Total | Per cent increase since April 1983 |
|---|---|---|---|---|
| City (Bishopsgate) | 30.00 (26.00) | 15.40 (15.30) | 45.40 (41.30) | 9.93 |
| Holborn | 17.00 (15.00) | 12.70 (11.90) | 29.70 (26.90) | 10.41 |
| Mayfair | 20.00 (19.00) | 10.80 (10.70) | 30.80 (29.70) | 3.70 |
| Kensington (Knightsbridge) | 16.00 (15.00) | 9.00 (8.85) | 25.00 (23.85) | 4.82 |
| Hammersmith | 13.00 (12.00) | 5.60 (5.50) | 18.60 (17.50) | 6.29 |
| Tower Hamlets (City boundary) | 14.50 (14.00) | 13.00 (12.85) | 27.50 (26.85) | 2.42 |
| Southwark (London Bridge) | 11.50 (11.00) | 18.50 (16.25) | 30.00 (27.25) | 10.09 |

Source: Dron and Wright

CASE STUDY: SOVEREIGN HOUSE/VICTORIA

# Flagship building in Victoria

Sovereign House, Victoria

YOU NEED a very special building, not to say a very special confidence, to ask £24 a sq ft for offices located in the middle of a market already littered with empty space and where top rents touch only £18.

Townsend Thoresen Properties have both when it comes to Sovereign House, the 74,000 sq ft office scheme which they have just completed behind Victoria Station.

The company calls it the "flagship" of their central London portfolio and claims the property offers accommodation of a calibre unrivalled in the capital or anywhere else in the UK. Such claims are a common part of the commercial property market, where hope springs eternal and rents never fall, they simply "stabilise."

But even the most cynical property man would be hard-pressed not to give Sovereign House the seal of approval and to share some sort of satisfaction at the UK development industry's ability to create the type of property which remains all too rare in this country.

Sovereign House is on an awkward triangular site, once occupied by the old Hudson's depository, and is perched over a new road which will feed traffic into the Gatwick air terminal at the station. But if it can claim to offer immediate access to the transport network, it can hardly claim an address in a prime office location. The backside of the station is not the prettiest part of Victoria and the outlook onto a rather shabby Wilton Road leaves a lot to be desired.

### Results

So Townsend Thoresen decided to make amends by erecting a building offering its own environment. Its endeavours have produced impressive results.

According to Mr Kean Hird, of TT Properties: "In a less than prime location, you have to put up a prime building. We had the advantage of a relatively cheap site to start with and set out to provide something very special."

The "something special" consists of eight storeys of air-conditioned floorspace, where solar efficiency, low maintenance costs and attractive surroundings have been the principal priorities.

The building, which can house np to 550 people, has made the fullest use of available space and managed to overcome the problems associated with such an unusual site configuration in order to provide large, uncluttered floor areas.

But the focal point, on to which all the offices look, is a full-height, internal landscaped garden atrium which would be a surprise in most office developments but which constitutes a revelation in the heart of Victoria. Three glass-sided lifts and a landscaped viewing gallery provide spectacular views of the gardens, which make full use of water and also play an instrumental role in heating the remainder of the building.

The space is expensive but the building provides another indication of the development industry's growing awareness that the best space will in future stand the best chance of attracting occupiers. Letting agents are Sinclair Goldsmith and Pepper Angliss & Yarwood. Architects were the architects and they liaised with Stephen Scrivens on the landscape design.

**M. C.**



# Institutions expected to come back

GROWING INDICATIONS of an improvement in the general health of the UK commercial property markets are now widely expected to be reflected in an increase in direct institutional investment in the property sector.

Last year the pension funds and insurance companies stepped back from further substantial investment in property, given its weak performance relative to the gilt and equity markets.

Now, however, signs of an improvement in returns and prospects for a brighter performance over the months ahead are likely to see the institutions making a significant, if selective, return to the direct investment scene.

Rowe & Pitman Property Services, the property arm of the City broking firm, clearly believes that better times are on the way. In its latest equity review Rowe & Pitman suggests that 1984 will see — as in 1982 — around £2bn of new funds put directly into property investment.

Figures recently released by the Central Statistical Office showed that the new investment by insurance companies and pension funds last year fell to £1.36bn. The total was the lowest annual figure since 1979, with tha pension funds investing £530m and the insurance companies accounting for the remainder.

### Evidence

But Rowe & Pitman aays there is now "indisputable evidence that the property market has turned tha corner and that all its sectors are now experiencing a much healthier climate."

The brokers emphasise they cannot recall a time when the institutions have been so emphatic in their purchasing programmes and suggest that such heavy demand seems certain to force down prime yields.

Though not every broker seems quite so optimistic, most now seem to believe that property investment is coming back into fashion. Phillips & Drew, for example, believe that the improved lettings markets recorded in 1983 should begin to filter through in higher rents this year and next. Tha prospect of real rental growth, for the first time since 1979, should help revive institutional appetites, the brokers add.

But if the volume of funds earmarked for commercial property is set to rise the way in which it is apportioned will be the subject of close scrutiny. Rowe & Pitman, for example, underlines the continuing popularity of retail property and ventures to suggest that as much as 50 per cent of all funds allocated to property this year will be directed towards this sector, a trend which will encourage purchasers to broaden their investment horizons by including "hitherto unfashionable" properties in their portfolios.

Such a trend, according to Jones Lang Wootton, was already under way last year, with funds clearly prepared to buy shops in smaller towns and lot sizea than they had previously considered, in order to fulfil their property requirements.

There are also suggestions that the industrial sector may again be attracting a rising level of selective investment interest, with the emphasis firmly on the "high-tech" formula, providing high-quality, flexibla working space suitable for modern expanding industries.

So what of prospects for investment in office property? There is no question that substantial volumes of money will continue to find their way into the office sector, but investment attitudes are clearly changing.

The huge oversupply of office space, which has weakened even the strongest markets, has created a fresh set of expectations among tenants, forcing landlords and developers to react quickly and positively.

Occupiers have no need to accept inferior quality accommodation and have repeatedly, and increasingly, shown themselves prepared to pay a premium for the best space. Tha big problem now facing owners is the mounting stock of ageing property contained in portfolios, which has performad well in the past but which is beginning to represent a major liability in terms of portfolio performance.

Early remedial action will in many cases be required. According to Jones Lang Wootton: "The longstanding investor with an ageing portfolio may have to choose between being a seller or developer-refurbisher if ba is not to be left with a number of vacant properties in tha portfolio. Both may be unfamiliar and unwelcome roles and are a consequence of the choice of properties available to tenants, especially in tha office sector. As a consequence we see a continuation of the 1983 trend of some funds selling parcels of properties, often at a discount, to other funds or developers in order to raise money to reinvest in prima property."

### Uncertainty

Jones Lang Wootton also emphasise that, given uncertainty about tenant demand, there will be a reluctance to buy large office investments unless they are well located and flexible in occupation.

The agents say the search is still on for an effective way of sharing the ownership of such large investments, although funding arrangements for ona or two of London's newest large-scale office projects imply the search has started to pay off.

A syndicate of banks, led by County Bank and Chase Manhattan, provided a £47.5m non-recourse loan to help finance the successful Billingsgate and Market scheme in London developed by London and Edinburgh Trust and S and W Berisford, and now partially let to Samuel Montagu.

Over at Finsbury Avenue, also in the City, tha Rosehaugh Greycoat office scheme attracted a medium-term funding package from a consortium of investors, while a similar deal might be put together on the redevelopment of Liverpool Street Station, involving Rosehaugh and Stanhope Securities.

Quilter Goodison, tha City brokers, say the thin market in larger investments and the proportionate decline in institutional spending on direct property have represented two related areas leading them to take a cautious view of recovery prospects.

The brokers point out, however, that some tax changes included in the last Bndgat have gone some way to easing their fears in this direction.

Quilters point out that syndication has been suggested as a way of reducing large discounts for size in the investment market and that property companies with easily tradable stock are the natural form of syndication. Gearing levels are moderate, management with profits is effective and the Chancellor has removed much of the tax disadvantage for institutions *vis-a-vis* owning property directly. Tha sharing of major investments, a trend which has taken the U.S. real estate investment market by storm, seems set to become increasingly popular, though it is doubtful if the syndicated approach will prove satisfactory for many traditional property purchasers, who are used to exclusive ownership.

But attempts at new approachea to funding are at least symptomatic of the fresh thinking which is now working its way through the investment markets. Tha new approach also includes a growing realisation that active property management, designed to extract a better performance out of an existing portfolio, can no longer be regarded as an afterthought.

Certainly some of the new generation of property developers are not pinning their hopes simply on the creation of an equally new generation of properties but actively seeking to identify and exploit the "locked in" values in older buildings.

Their progress will be closely watched by a stock market which, despite the difficulties in the real market place, has been kind to the property sector over the past year or so. Property shares last year managed a 35 per cent rate of return overall and with prospects improving the outlook for 1984 is encouraging. Phillips and Drew say target returns for 1984 are 15-20 per cent for property shares and around 10 per cent for the direct property and property unit trust markets.

**M. C.**

CASE STUDY: CARLESS CAPEL/CANNON ST.

# Profits struck in City borehole

"FIVE YEARS ago we thought that we had perhaps outgrown Hackney Wick," says Andrew Reynolds, a director of Carless Capel and Leonard. "We were into oil exploration in tha UK and the U.S. and becoming an international business — from a converted office building in what used to be a dry cleaning factory."

Carless Capel is the oldest oil company in the UK. It was founded in 1859 — "the year a Colonel Drake first found oil in America," says Mr Reynolds. "Our major market initially was for smokeless fuel in lighthouses." As an oil refiner, very much at the less glamorous end of the industry, the company had lived ever since its foundation in Hackney Wick on the borders of East London.

"So we bought the higgest sham in the City of London," he says, talking of 70-74 Cannon Street as it was, rather than as it is today.

"We had been looking for a small freehold in the City," he says. "Charles Okin, of agents Edward Charles & Partners, was the only one who took us seriously five years ago." Five years ago, It will be remembered, City freeholds were rarely seen on the market.

The Cannon Street property had a triple frontage, says Mr Reynolds, meaning that it was probably the product of two or three properties joined together. When Carless Capel first looked at it it was only 12 to 14 feet deep, and owned by Gabriel Securities, one of the more successful private developers.

The potential was in the area behind the existing building. It was in two pieces, Gabriel having the option to purchase one from the Church Commissioners. On that alde there was a vault and a monument dedicated to victims of the Great Plague. The other "piece" was a hole in the ground, maybe 30 feet by 20, providing ventilation to the adjacent London underground line.

At the time the planners would not consider an integrated development on all three sites. So Gahriel's position was negotiable. Charles Okin went for the freehold of the existing five storey building and got It for £975,000; Gabriel exercised Its option and sold that to Carless for £60,000; and then the latter bought a long lease of the remaining "hole" area from London Transport for £100,000.

The construction joh was a story in itself, involving deep pile supports, a 1.2 metre concrete slab at first floor level and a cantilevered extension to seven floors in height. Suffice it to say that the construction cost was £1.85m or £130 per sq ft, and the all-in cost in the order of £4m for 12,000 sq ft of huilding with an office content of just over 11,000 sq ft of net lettable apace.

At this point comes the wry twist in the atory. Until the late autumn of 1983 Carless Capel had intended to occupy the building ltself. In the event the company grew faster than it expected and even the extended huilding was too small for its needs.

If looked at the northern fringes of the City and withdrew, sobered by the galloping rates in Islington. It looked to the east and actually bid for space in Cutlers Garden—and could not get what it wanted.

## Assets

The company eventually moved at some emotional cost to 18,000 sq ft of space in First Chicago House in Long Acre by Covent Garden, consoling itself with a ten year sub-lease at £16 a sq ft—half the equivalent standard in the City—and rates at two thirds of City levels.

So lt now has a City property investment arguably worth over £7m—and a new string to its bow? Hardly. Carless Capel bas an equity capitalisation of some £200m and £60m to £70m of net tangihle assets on which it is so far unborrowed.

It wants to huild its equity base with significant oil and gas acquisitions. The only significance about any pending property deal would be the size of the implied £3m-plus profit, against puhlished profits of the company which, in 1982-83, were in the £2½m to £3m range.

**William Cochrane**

Carless House at 70-74 Cannon Street offering around 12,150 sq ft in a location only 200 yds from the Bank of England. Agents Edward Charles and Partners are seeking a rental of £340,000 per annum for the redeveloped property

Shearwater House on the Green at Richmond, totally refurbished by Speyhawk Land and Estates

# Campus developments struggle for takers

"CAMPUS"-STYLE development, yet another import from the U.S., has not had tha happiest of introductions to the UK property market. The concept — a site typlcally out of town, close to a motorway junction, low in density of development and well landscaped—has certainly attracted developers. Tenants, bowever, have been slower to move.

Observers have also remarked that since campus developments tend to be placed where land is easily available they can just as easily be dnplicated—which may impinge on future rental and investment performance. Proponents of the genre argue that relative location will still be an important determinant of tenant quality, rents and so on; they also say that prospective tenants are certainly in the market.

"Almost every major computer company—we are aware of eight or more, all household names — is in the market to satisfy its headquarters requirements," says Mr Jeff Worboys, of Richard Ellis. "They are all looking at the M25 helt." But because of limited site opportunities on London's orhital motorway, says Mr Worboys, demand is heing pushed along the M3, the M4 and the M1.

The concept is being resisted fiercely by local authorities in the dormitory areas around the M25, many of which are saying that their infrastructure is being used to capacity. Appeals, according to Ellis, are being fought left, right and centre.

In the meantime the occupier can get exactly what be wants at, say, Milton Keynes, Telford or Swindon. But it is difficult to build speculatively for this occupier as a type.

Swindon has seen Readers Digest emerge and then disappear again as potential occupier for the 78-acre Windmill Hill site which has been held by St Martins Property for more than three years. Chase Manhattan looked at the 30-acre Croft campus site near the town and eventually plumped for Bournemouth instead.

## Anchor

Undaunted, Taylor Woodrow Property and Thamesdown Borough Council (marketing as Swindon Enterprise) are actually going ahead with the first two phases (totalling 60,000 sq ft) of offices on their 29-acre Delta Business Park, and reckon that they will be the first of many to have a building np.

The Delta partners have a very clear concept of campus-style development, in its inception as well as in its completion. They maintain that to attract a tenant—preferably a major one, to "anchor" the development — the site sbould be ready to receive buildings with basic infrastructure like roads, sewers and landscaping already in situ.

It is also maintained that of the three Swindon sites in contention bere Delta is closest to the town centre and to a major shopping centre, with the added advantage of being on a dual carriageway. In other words, relative locatioo does matter.

Mr Doug Smith of Swindon Enterprise thinks that the campus concept needs to be more clearly defined. "It should have a maximum of 50 per cent site coverage, with particularly generous car parking space belonging to the site rented—not common space." The minimum car parking allotment, be reckons, should be one space for each two employees.

He says that a true campus site like Croft will have only 10 to 20 per cent site coverage and that, by this definition, the M25 will have very few true campus sites available. "Rates and land valnes are too high," he says, forecasting a great deal of M25 demand for warehousing and to a certain extent conventional office blocks.

**William Cochrane**

# 'Murphy's Law' a tease for developers

"ANALYSIS of the geographical pattern of potential development shows that in areas which have hitherto proved unattractive for office occupation supply is excessive, whereas in many areas which bave been popular locations supply is at present limited."

Jones Lang Wootton, in this instance analysing 292 planning permissions comprising nearly 15m sq ft gross of potential office development in Greater London outside tha central area, seem to have found their own versioo of Murphy's Law. Attractive space is already huilt on so developers bave to look elsewbere and take the risks involved.

The major feature of the property market over the past six months bas been the uptake of property — built or in the coostruction phase — in the City of London. Richard Ellis, for one, think that this pattern is spreading to London's West End, with further attention being focused oo the city's orbital motorway, the M25.

So what is going to happen to the wide belt of territory between the central area and the motorway ring? JLW note a highly concentrated patteru of development during 1981-83 in outer South and outer West London, with nearly 70 per cent of completed floorspace in that period — not to mention some 77 per cent of that currently under construction.

These days, building one office tower in a blighted location — Archway Underground station, in North London, will do for an example — is not seen as a solution. To the south and west revitalisation is seen as taking place with more comprehensive developments at Brentford and Isleworth.

At Brentford — seen by one property professional as "the West London location which never made it" — Dimsdale Developments (South East) is into the third phase of its joint £20m scheme on 20 acres of previously largely derelict land between Brentford High Street and the Thames in conjunction with Crowvale Properties, a wholly owned subsidiary of Associated Newspapers.

When this is finished the developers will have put up 56,000 sq ft of offices and an arts ceotre which includes a 245 seat theatre and other recreational facilities. They have recently lodged a new planning application for a further site which is expected to take in a new riverside village/quay, craft shops, slipways, a new public house and restaurant to replace the old Ferry Inn, a headquarters for the Hounslow Canoe Club, moorings, offices and recreational facilities.

## Inquiry

The planning process has not been all sweetness and light. Dimsdale was selected by the London Borough of Hounslow for phase one of the development and won phase two (including the arts centre) at competitive tender. But it only won phase three planning coosent after a public enquiry, intervention by the Environment Secretary and the award of costs against the council.

At Old Isleworth, with council approval, Speyhawk is aiming to create a whole new environment, including the rearrangement of pedestrian and vehicle routes, the provision of open spaces and landscaped areas, including a river walk, and the reopening of the Old Church Ferry.

A revised context plan approved by the local council last October includes provision for 110,000 sq ft of offices, 80 homes (houses and flats), shops aod wine bars, other leisure huildings and workshops.

Mr Trevor Osborne, who controls Speyhawk, has his headquarters in Isleworth and wants to maintain a village atmosphere there while at the same time, It is hoped, the development lifts the quality of the area. The company points out that it was the decline of river-based industries which helped depress Isleworth hut It sees the river itself as a distinct environmental advantage.

# Unit trusts 'over the worst'

IT IS a measure of the property unit trust industry's recent despair that when units in one of the largest trusts start being traded on a heavily discounted secondary market everyone breathes a sigh of relief. It seems that any alarm provoked by the sight of unhappy investors selling out on poor terms is more than offset by the relief in knowing that someone else at least is prepared to buy them.

The property unit trust sector as a whole has been going through hard times and Pension Fund Property Unit Trust (PFPUT)—in which the most recent secondary market has emerged—has been having a rougher time than most.

Property unit trusts are open only to investing pension funds and charities and take a direct stake in the property market via the acquisition and management of their own portfolios. For the private investor property bonds represents the most obvious choice, though neither have been having happy times. The reasons for the unit trust sector's poor state of health have been straightforward enough. Returns from property investment, in the absence of any significant rental or capital growth, have mostly been miserable.

The recent property index compiled by Jones Lang Wootton—which charts the overall (capital and income) growth of commercial property—recorded an increase of just over 7 per cent for 1983. Modest rental increases provided most of the growth, with few signs of any improvement in capital values over the period.

## Buyers

The unit trusts, along with other property investment vehicles, have suffered the consequences. Little new money has been coming in and existing investors have been tempted to redeem at least a part of their holdings as quickly as possible.

Unit trust managers hardly welcome the prospect of this type of sale on any scale and offer a poor price or decide to prolong payment—or adopt both tactics. Hence the unofficial secondary market, where sellers and buyers strike a quick deal between themselves, leaving the unit trust itself out in the cold.

As for PFPUT, the second largest property trust with a fund value of £240m, the problems it shares with its competitors have been compounded by criticism of its own performance. More recently, however, its track record has been improving.

Around £10m of PFPUT units changed hands earlier this year and the Rolls Royce pension fund was among the sellers. Given a bid price of around £2,060 (against a current offer price of £2,285), Rolls-Royce could have expected to raise nearly £3.07m for its units. But it is thought to have accepted less than £3m.

The weak price achieved stems from the huge bid/offer spread maintained by PFPUT to discourage withdrawals and which firmly underlines the redemption pressures which the unit trust has been under. In the case of Rolls-Royce PFPUT is thought to have been closely involved with the "unofficial" transaction, by virtue of its size.

But most property unit trusts, now accounting for around 2½ per cent of all pension fund assets, believe the worst is over.

Lazard Property Unit Trust, third in the rankings behind Fleming and PFPUT, has a fund value of £183m. Mr Peter Archer, the fund's surveyor, says he feels "much more comfortable than a year ago."

"For 18 months we have been talking only about withdrawals and I think a successful secondary market is a sign of improvement in sentiment. But I expect it will absorb the appetite for units for some time to come."

Lazard says some investors have wanted to redeem large numbers of units and they have been placed every time. At present it has no second-band units for sale. As for new investment, however, the fund only managed to raise £260,000 from its last issue at Christmas, in stark contrast to the £6m raised in a single issue back in 1981.

## Pensions

Mr Chris Whitaker, a partner in Fielding, Newson-Smith, also believes that the property unit trust sector is over the worst: "Some pension funds stopped buying altogether, although they held on to most of what they already had.

"Returns bave been poor but the performance of most unit trusts has not been out of line with what has been happening in the direct market. In many cases the funds have seen virtually no growth at all but the prospects for 1983 begin to look more positive.

"There are not many second-hand units around and pension funds are beginning to buy property again, given the chance of reasonable growth for the first time in over two years. Any demand, however, is likely to be satisfied in the secondary market and it will be some time before any net new money finds its way to the fund managers."

UNIT TRUST PERFORMANCE

| | Latest fund value £m | Estimated yield per cent | Unit price change per cent last 12 months |
|---|---|---|---|
| Abbotstone | 20.54 | 3.0 | + 4.6 |
| Ag Put | 3.62 | 2.7 | + 1.3 |
| Charities | 8.68 | 5.4 | + 3.0 |
| Fleming | 280.0 | 5.5 | + 0.1 |
| Hanover | 90.70 | 7.0 | − 2.5 |
| Hill Samuel Agric. | 35.00 | 3.5 | + 4.9 |
| Hill Samuel | 125.70 | 6.8 | + 3.1 |
| Industrial and Commercial | 70.60 | 5.4 | + 1.6 |
| Kleinwort Farmland | 17.50 | 2.8 | +15.6 |
| LAMIT | 128.25 | 6.1 | + 1.6 |
| Lazard | 183.30 | 6.0 | + 2.5 |
| Legal & General | 6.00 | 4.5 | + 6.8 |
| New Court | 73.00 | 4.5 | + 0.6 |
| Pennine | 11.16 | 6.0 | no change |
| PFPUT | 239.10 | 6.2 | + 6.3 |
| Pensions & Charities | 23.77 | 6.0 | − 2.3 |
| PUTPAC | 25.40 | 6.0 | + 5.8 |
| Schroder | 130.40 | 6.1 | + 2.1 |

Source: Fielding, Newson-Smith

# Centre Point continues to stir emotions

WHEN ASKED by Thames Television to vote for the best and worst modern buildings in their city, Londoners made some interesting selections. Out of a list of 50, the three most loved and the three most hated included only one building which could possibly be described as an office block: Hillingdon Civic Centre, which, with its complicated elevations in brick with pitched tiled roofs, looks more like a row of suburban houses squashed together.

The three buildings voted "worst" were all on council estates, dating from various stages of the Corb craze which swept British post-war architecture. The favourites, alongside Hillingdon, were the aviary at London Zoo and Waterloo Bridge. If the results mean anything at all, they probably mean that Londoners as a whole are less deeply concerned about office design than they are about the places they live or play in.

The Financial Times' own building, Bracken House, Cannon Street, was exactly halfway down the list at 24, with the Economist building in St James's Street doing marginally worse at 34.

Only in the case of Centre Point did emotion get the better of aesthetics: by no design yardstick would the building be among the five worst in London—but its notoriety put it there anyway.

Centre Point has, to many, become, synonymous with speculative development, a phenomenon of the property boom of the 1960s and early 1970s. Apart from its unpopularity with the general public, spec building had serious drawbacks. It suffered from what London architect Brian Waters calls the "let and forget" syndrome.

The investor and/or developer had the whip hand, demand outstripped supply, rents were rocketing and the tenant could be safely ignored. The capital cost of the building was all-important; cost-in-use was not the developer's problem and largely ignored.

The result of this "let and forget" approach has been a large number of office buildings which are inflexible, expensive to maintain and heat, and in many areas the commercial equivalent of the "difficult to let" council estates built in the same period.

Some 18 months ago the Orbit Study was published. It looked at the future of such buildings and reached conclusions not only about them but about how today's buildings should be designed so as to avoid premature obsolescence.

Bernard Williams, who was building economics consultant to the Orbit project, maintains that in spite of the widespread publicity given to it not enough is being done. And he agrees with Brian Waters that it is in the speculative sector where progress has been most disappointing. In spec development, he says, "the only major sop to Orbit is the shallow false floor, an economic way of getting all the wires to where they are needed. Deep false floors, which can also handle air ducts, or even act as a plenum, are still rare."

There are honourable exceptions: Arup Associates' Finsbury Avenue development for Rosehaugh is actually being marketed on the strength of its Information Technology capacity. But all too often, says Williams, the conservatism of the property valuer, and the obsession with net-to-gross floor area ratios prevail. "The spec developer remains loath to give up even 1 per cent of his floor area to the extra service duct space, needed—according to Orbit—to accommodate the proliferation of rising cables required only by the leading-edge office user today—but by Mr Average tomorrow."

## Argue

The designer who wants to keep the wolf from the door can argue so far before giving in and giving the developer what he wants. But both Williams and Waters agree that the light at the end of this particular tunnel is definitely the emergence of the owner-occupier as the dominant client of the future.

"Owner occupiers are easier to convince to take the IT argument on board," says Bernard Williams. "Their needs can be projected fairly accurately, enabling design of building and services to be tailored to suit." Brian Waters predicts a better use of resources by architects "which will reflect concern about energy costs, adaptability of use and fitting out, as well as image and style which will have to go further than marble in the front lobby."

As for the spec market, based on his experience across the Atlantic, Brian Waters hopes the UK property industry will be able to overcome present resistance and start building no more than a shell and show floor. The tenant would then have the option of completing the interior design to his own specifications or choosing from a range of fitting-out packages offered by the developer.

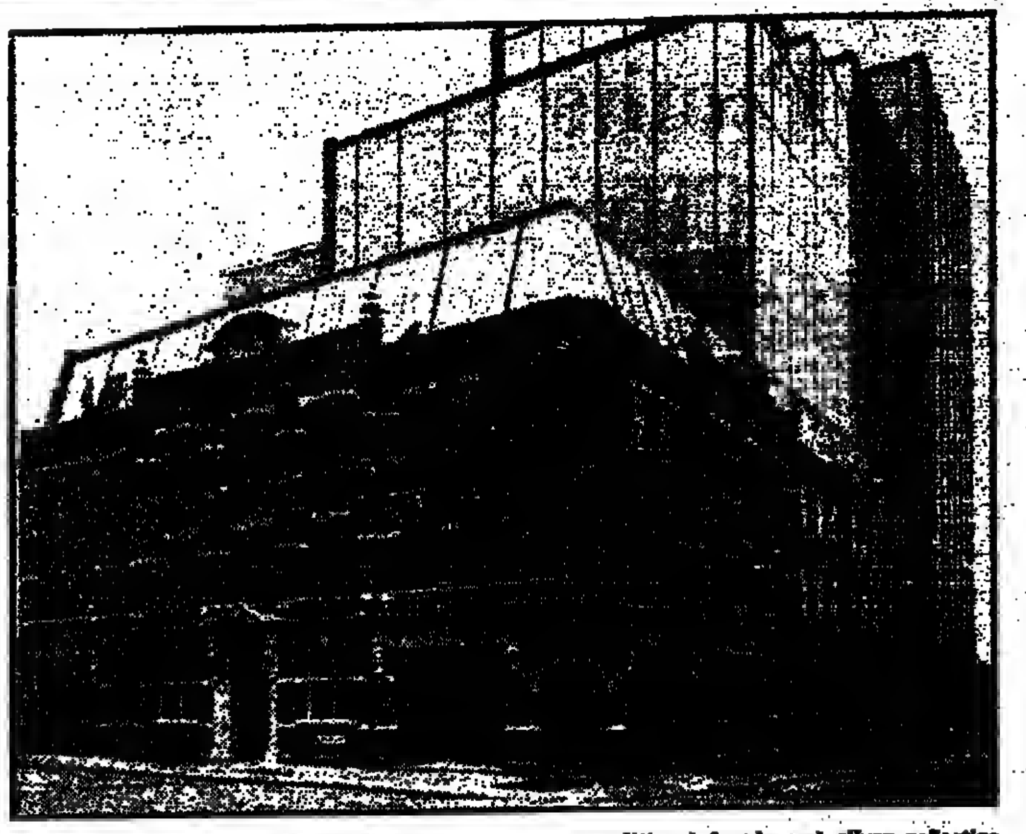
This would prevent absurdities like millions of pounds spent by incoming tenants taking up brand new blocks and ripping out all the developer's furnishings and fittings because their taste in wall coverings is slightly different.

Beyond aesthetics, Brian Waters looks to modern furniture systems incorporating services, equipment, lighting and environmental controls to provide the adaptability lacking in most post-war developments. He describes flat cabling laid under carpet tiles as "a godsend to office refurbishment."

Bernard Williams is less optimistic. He would like a sharper response to the "creeping cable" syndrome which accompanies the telecom revolution: more thoughtful lighting systems to avoid glare problems when VDUs are in use; and more awareness by designers of the heat expected to be generated by tomorrow's IT office, which could be twice that generated today.

But he fears it will take more than good advice and sound warnings to change the inbuilt conservatism of the construction industry and the estates industry which largely directs it.

**Mira Bar-Hillel**



Embassy House in Birmingham—a combination of a traditional facade and silver reflective glass cladding by Espley Tyas and Elemeta

REFURBISHMENT CASE STUDIES

# Staying put suits Unilever

AMONG THE clutch of companies which have moved or have contemplated leaving London for less crowded and expensive areas, Unilever stands out as one which thought long and hard before deciding to stay. It meant a commitment to spending £37m on renovating its imposing landmark premises at Blackfriars, plus many years of disruption while it was done.

Bert Sugarman, the company's property controller, says that Unilever did not decide on principle against relocation: each arm of the business was judged separately, resulting in operations like Vandenberg, Bird's Eye and Lever Brothers moving out of central London. Some 6,000 staff were moved out over 20 years. Space to expand, better quality of life and cost all played some part.

The headquarters operation brought together several factors, such as the wish of some executives and marketing men to retain face-to-face contacts in London and the problem of recruiting new staff if existing workers refused to go. On the other hand, the 50-year-old Blackfriars building was inefficient (almost half the 180,000 sq ft was taken up by facilities such as corridors and toilets) and the services were obsolete.

The solution was a compromise. Over the years, staff had overflowed into two buildings next to Unilever House, and these were demolished to build a £12.6m wing providing 70,000 sq ft of open-plan space. Staff could be decanted out of the main block into this wing during renovation and it could be used later to accommodate 500 staff from three other neighbouring blocks in the complex after Unilever House was finished.

The vacated blocks, providing some 135,000 sq ft of floor area, would then cross-subsidise the whole operation through sale or letting. Unilever was asking £26m for its interests, or rent of £1.75m a year. It is understood that contracts on these blocks are about to be exchanged, although at a lower price than intended because of the weaker market.

Overall, however, Unilever must be reasonably satisfied with the operation. It has reduced the overall gross space to 260,000 sq ft, raised the usable area in Unilever House to between 60 and 70 per cent, and still provided enough air-conditioned modern accommodation for 1,500 staff.

●

Cornhill House, which also came on the market only this month, has one advantage which could make up for many deficiencies—an EC3 address in the heart of the City's banking area. For several reasons, including a fire early on in the contract and the need to restore a suite of listed rooms as well as exterior facades, the cost of reconstructing the 30,000 sq ft building was higher (at about £100 per sq ft) than that of Sovereign House (£80-£90 sq ft). (See Page 3.)

Beyond the limitations of the Listing requirements, however, it was the developers' aim (Airways Pension Scheme with the Worshipful Company of Grocers) that the interiors be modern throughout—and that as much as possible the areas which form part of the refurbished building would be continued in the new areas without a visual break.

## Restore

Raised floors, carpet tiles, suspended ceilings and anti-sun double glazing, designed by the Rolfe Judd Group, are the order of the day.

Again, thought has been given to cost-in-use, and the figure of below £1.50 per sq ft—"a considerable saving in costs on buildings of a similar nature," according to the letting agents—should go some way towards softening the effect of the asking rental which is just over £34 per sq ft overall, or a cool £1.025m for the entire building.



# High-profile campaigns lift drab marketing

IF YOU STILL don't know what has more calibre than Cannon Street, more grace than Gracechurch Street, is more amusing than Queen Victoria Street and more funny than Finsbury Circus—then someone at the St Martin's Property Corporation is wasting a great deal of money.

But the chances are that if you are in the market for City offices, the persuasive campaign to interest you in St Martin's most ambitious development to date, London Bridge City, has not missed you entirely.

The company has introduced a new dimension into the marketing of commercial property. Its efforts will gladden the hearts of every public relations and advertising concern, because the new dimension is money, lots of it, and the creativity and imagination it can buy. All three have been badly lacking in the past in property marketing.

When one looks at property in terms of the value of the total market, the amount of money it spends on advertising and promotion must be among the lowest in proportion to turnover. David Stewart-Hunter, of Saatchi and Saatchi, has described the sums as "amazingly low, and the more astonishing in the light of the difficult market conditions within which you are all operating."

## Bleak

A glance at the advertisement pages in the main property publications gives an immediate impression of what that little money buys: bleak, repetitive, unattractive presentations in which the names of the agents often feature more prominently than the advantages of the property they have to offer.

The London Bridge City campaign is all the more remarkable when one considers that the site where it is to be built is not even cleared yet, and the first buildings will not be ready for occupation before 1986. Indeed, to start such a high-profile campaign as early as the planning approval stage is probably as unprecedented as the marketing budget.

The company responsible for St Martin's marketing suite, complete with lit-up models and room/view simulations is Officescape, which currently holds design contracts for over 1m sq ft of office space in London. Its American-born marketing director, Harrison Ripp, believes that in order to be really effective, the marketing budget of a prime new property should be £1 to £1.50 per sq ft available to let.

The Officescape approach is to have the same group of people working on the building's "identity" and its marketing. "This approach can be purposely 'over the top' to stimulate the imagination. We can get involved in everything from the structural spacing of the columns to the colour of the vase on the reception desk," says Ripp.

A similar "total approach" has recently been adopted by Townsend Thoresen Development, the property arm of European Ferries. The main difference is that TTP have not yet gone in for promoting buildings still at the planning stage. St Martin's campaign is aimed broadly, with a distinct element of making people dissatisfied with their existing premises and so interest them in a medium-term change.

TTP is more conventional, concentrating the marketing effort on the much later stage, when prospective clients, already assured by their agent that a certain building may be suitable, approach the decision-making stage.

Where TTP scores, however, is the total involvement of the directors in the marketing. TTP development director Kean Hird is 30 years old, his marketing director Martyn Robertson is 27.

Assume, says Martyn Robertson, that you are on a short list of 10 buildings decided on by the client's agent, all of which basically suit the company's needs. Assume that the company chairman is a busy man and that, although you may believe that he should spend much more time on such a significant long-term step, he will allocate no more than a day—or even half a day—to viewing the short-listed properties. You may have no more than half an hour to convince him that it is your building he must take.

Each TTP building currently available has a show suite with offices and furniture in situ in a suggested layout. One building actually has a fascinating variation on musak made up of voices, presumably engaged in typical office banter, to help create the "in use" atmosphere.

An exhibition area displays all the materials used in the construction of the building and the services are described in laymans language. Finally, there is TTP's pride and joy, a computer-assisted drafting system with a full-time operator.

Assume again (and experience confirms the assumption) that chairman X will have no idea of how the building will need to be laid out to suit his companys needs. But he will know how many staff and executives he needs to accommodate.

## Layouts

The computer programme, devised by Jeremy Blackie, enables the operator to produce for the visitor up to 48 different floor layouts, depending on the number of work-stations, conference rooms and even waste paper bins required. The preferred layout can be printed out "while you wait" or, better still, while the chairman is being given a hard sales talk on the building's other attractions.

The system works in two ways, says Robertson: First, there is the impression of competence and modern technology. Then there is the real saving the programe provides in terms of interior design. In the month since the computer was installed a TTP building which had been on the market for some time is now under firm negotiations.

**M. B-H.**

# Rents trend is best guide

RENT GROWTH COMPARISONS

● Towns showing more than the mean 5 per cent growth for 1982-83

| | Rent at Sept. '83 in £ per sq ft | Growth 1969-83 % | Growth Sept. '82-Sept. '83 % |
|---|---|---|---|
| Northampton | 5.50 | 12.7 | 29.4 |
| Redhill and Reigate | 10.50 | 16.1 | 20.0 |
| Nottingham | 5.00 | 13.7 | 17.7 |
| Cambridge | 7.00 | 11.4 | 14.8 |
| Crawley | 9.75 | 19.7 | 14.7 |
| Plymouth | 4.50 | 13.4 | 12.5 |
| Newcastle | 4.75 | 11.6 | 11.8 |
| Bracknell | 12.25 | 17.4 | 11.4 |
| Luton | 6.25 | 13.7 | 10.6 |
| Southampton | 5.25 | 10.3 | 10.5 |
| Swindon | 8.25 | 16.4 | 10.0 |
| Liverpool | 5.50 | 11.0 | 10.0 |
| Oxford | 7.25 | 14.9 | 9.0 |
| Hammersmith | 13.50 | 16.7* | 8.9 |
| Milton Keynes | 7.75 | 13.7† | 7.6 |
| Bromley | 10.00 | 15.4 | 8.1 |
| St. Albans | 5.00 | 15.2 | 5.6 |
| Peterborough | 5.25 | 13.6 | 5.0 |

* Since 1970 † Since 1979

Rents are prime achieved levels for 5,000 sq ft-plus units.

● Towns showing more than the mean 14 per cent growth, 1969-83

| | Rent at Sept. '83 in £ per sq ft | Growth 1969-83 % | Growth Sept. '82-Sept. '83 % |
|---|---|---|---|
| Crawley | 9.75 | 19.7 | 14.7 |
| Maidenhead | 12.00 | 19.1 | −4.0 |
| Slough | 13.90 | 18.4 | −4.1 |
| High Wycombe | 10.80 | 17.4 | 2.9 |
| Woking | 11.25 | 17.4 | 0.9 |
| Bracknell | 12.25 | 17.4 | 11.4 |
| Reading | 11.50 | 16.9 | −4.2 |
| Hammersmith | 13.50 | 16.7* | 8.9 |
| Swindon | 8.25 | 16.4 | 10.0 |
| Redhill and Reigate | 10.50 | 16.1 | 20.0 |
| Staines | 12.50 | 16.0 | 4.2 |
| Bromley | 10.00 | 15.4* | 8.1 |
| Harrow | 11.50 | 15.4 | 2.2 |
| Kingston-on-Thames | 10.00 | 15.4* | −2.4 |
| St. Albans | 9.50 | 15.3 | −4.1 |
| Sutton | 8.50 | 15.2† | −2.9 |
| Oxford | 7.25 | 14.9 | 9.0 |
| Guildford | 10.75 | 14.8 | 4.9 |
| Richmond-on-Thames | 11.00 | 14.6* | 0.0 |
| Watford | 10.50 | 14.6 | 2.4 |
| Hounslow | 13.00 | 14.0 | 3.2 |
| Brighton | 7.25 | 14.0 | 3.6 |

* From 1970 † From 1971

Source: Jones Lang Wootton

YEAR-ON-YEAR rental growth probably receives more attention than it deserves, considering that the life of the average office building or investment can be counted in decades.

Short-term movement may be relevant to the developer or agent seeking to wring the highest initial rent from a tenant for a new building, but long-term trends are more important in planning investments.

Short-term figures can also mislead. Northampton, for instance, tops the league for rental growth in 1982-83 in 50 centres outside central London monitored by surveyors Jones Lang Wootton.

Yet it shows up nowhere in the 22 centres which achieved more than the mean growth of 14 per cent a year from 1969 to 1983.

Maidenhead, on the other hand, showing the second highest average annual growth for 1969-83 at 19.1 per cent (Table 2) is completely out of the short-term stakes. Rents there actually fell by 4 per cent last year.

Percentage rises can seem impressive when they start from a low base. A few pence per sq ft added to average rents like those in Newcastle can bring it high into the league for last year's increases, when growth clearly continued at its normal, below-average rate.

The long-term figures are more useful for illustrating how growth trends differ. All 22 of the centres which exceeded the 14 per cent average rent growth for JLW's 50 centres were in the Western Corridor, running broadly from London along the M4 and Thames Valley, or near Gatwick Airport.

This pattern may have looked slightly different if another base year was chosen, but it would still have reflected the growth caused by relatively consistent demand for office space in these favoured centres.

Within the limitations stated, the 1983 figures give more insight into the way this strong growth has weakened in places like Maidenhead, Slough, Reading and Kingston, while Redhill, Crawley and Bracknell have cruised ahead. Even Liverpool, Nottingham and Plymouth can claim temporary superiority in relative growth.

**David Lawson**

Agents are optimistic that rents will rise again

# Office market remains dull

THE MARKET in offices could only go up in 1983. By then, it had reached historically low levels of activity over most of the country. As the economy improved, so did inquiries, hut far too slowly at first to have much impact on rents when there was such an overhang of space.

By last January enough lettings were under way to allow hopes of rising — if patchy — rent values. As expected, London, its more prosperous fringes and some Western Corridor centres were the first to benefit.

Here, relocation does not mean moving out of London but expansion within the region—such as Bayer going from Richmond to Newbury and Sterling Winthrop to Guildford.

Mr Fer Dijkstra, of Knight Frank and Rutley, has taken a dim view in the past of the excess of supply over demand in the Western Corridor, with 2.5m sq ft completed last year and only 1.6m sq ft taken up. But he sees internal expansion as an optimistic sign of revived demand and a more balanced market.

## Shortage

There could even be a shortage soon in places like Richmond, Maidenhead and Bracknell, he says.

Steve Webster, of Debenham Tewson and Chinnocks, is willing to brave sneers about talking up the market, so convinced is he that rents will resume their upward trend in the Thames Valley. He has seen a lot of take-up in the middle-sized range of buildings and could reel off names of 42 companies in the market for premises of between 15-30,000 sq ft. Demand exceeding supply could put 15 per cent on some rent levels.

In what is still a fairly dull market in the rest of the country, the only major highlight is the impending completion of the M25. Dijkstra sees this of little threat, however, to the buoyant Thames Valley area, with its self-sustaining expansion built on electronics and financial concerns.

But the relocation market which has fed places like Bristol and Swindon might be restrained by increased accessibility of towns closer to London.

Webster sees a spreading of values around London, benefiting places like Hemel Hempstead which have been relatively overlooked.

Provincial centres have also seen a modest upturn in fortunes, but this has tended to be patchy, depending on local demand.

Birmingham has up to 300,000 sq ft of city centre space available—between 18 months and several years' take-up, according to how optimistic you are. Rents have hovered around £6.50 a sq ft, hut new schemes are calculated at £8 following the boost from Urban Development Grant cash to such schemes as Henry Boot's Paradise Circus.

Manchester has seen more lettings hut in smaller units, cutting total take-up by more than a third to around 100,000 sq ft. Rents could shift upwards to £7 n sq ft in 1984, however, with even a modest rise in demand.

Bristol brings out contrasting views. Some agents fear the 700,000 sq ft under construction adding to existing empty space, plus consents for 1.2m sq ft; others point to a 75 per cent increase in lettings last year and rents hardening to £7 a sq ft. But there seems to be too many lettings which almost took place.

Swindon could face a serious over-supply, with a lot of space coming out of the ground and an hiatus in letting levels. But the continuing growth of rents has still not eaten away the towns' economic advantages.

Newcastle is another centre with a heavy supply of central space, but it is in a less advantageous position to exploit hig inquiries which tend to float within the south of England. Rents are between £4 and £4.50 a sq ft.

Liverpool is often written off too easily. Developers like British Land (65,000 sq ft on Dale Street) and Royal Life (70,000 sq ft on the Cavern Club) are not convinced, perhaps noticing that rents—while at a low £5.50 base—continue to creep upwards.

Milton Keynes, which appears to he the antithesis of Merseyside, with its high-tech activities, probably has less space on the stocks, hut this is due more to large lettings like the Stone and Webster 140,000 sq ft take-up than any lack of development interest. Shortages are expected until 1985, so rents could start to accelerate again beyond £7.75.

Leeds has seen a remarkably active year, with lettings of 200,000 sq ft double those of 1982. Little new space is underway because of the previous levelling of rents and the 500,000 sq ft or so of space on the city centre market. Much of this is on fringe or secondary sites, but there are few prime sites left for development. Rents now at £5.50 may creep to £6 for the best space.

Cardiff central development sites have tended to remain dormant despite the capture of Chemical Bank a coople of years ago, while developers either seek pre-lets or wait for existing space to fill up. Asking rents are around £5.75 a sq ft.

Aberdeen rents are stuck al around £6 a sq ft, while the market waits for polential big oil companies lettings to materialise and erode the 400,000 sq ft of available space in the city core. Another 200,000 sq ft is under way or planned.

Glasgow has one of the mosl halanced markets in the UK and new schemes are being costed on the basis of rents at £7 a sq ft.

**D. L.**

# Concentration in the South-East

THE SOUTH-EAST of England has dominated the office-based economy of Britain for more than half a century and continues to devour the lion's share of development. Paul Sherman, of surveyors St Quintin, demonstrates how the region is becoming even more important. The area outside Greater London raised its share of Britain's office space by 2.5 percentage points to more than 17 per cent between 1974 and 1982, which seems a meagre figure until be illustrates this as equivalent to 228 buildings of 100,000 sq ft.

Perhaps the most significant statistic Sherman quotes is that almost 27 per cent of new office space in England was built in this period in the outer south-east, a trend that would take it past central London in lerms of office stock if it continued for a decade.

The first reason for this growth which springs to mind is decentralisation from London, although Sherman would question the term "decentralisation" when most moves are between only 50 and 100 miles of the capital. Certainly the Location of Offices Bureau figures and statistics from Jones Lang Wootton researchers appear to back this up, the former showing that the South-East provided 75 per cent of destinations between 1964 and 1978 and the latter some 65 per cent in 1979-82.

Sherman believes, however, there has been an over-concentration on decentralisation as a source of office growth. A comparison of the location of headquarters of industrial and financial business in 1968-69 with 1982-83 shows that changes did not occur at the expense of London but of the provinces.

The South-East gained 40 industrial headquarters in that time, with losses increasing proportionately to the distance from London. The norht-west suffered worst in loss of both industrial and financial headquarters.

A study of 13 towns in the South-East also showed that relocation was not necessarily the reason why many had developed large reserves of offices, although it was a frequeot reason for large new developments.

## Fill

Swindon, with 900,000 sq ft developed since 1972, and Basingstoke, with 700,000 sq ft, fell squarely into this relocation category. They had been local centres with no higher order functions to fill such space.

Norwich, however, with 3m sq ft of office stock, was a traditional centre, whose regional importance provided the demand for such space. This may be why Norwich bas so mnch space—29.5 sq ft per capita.

Other towns showed various sources of growth. In Oxford, for instance, it was seen how a specialised industry such as printing and publishing related to the university could be an important source of growth.

One conclusion which could be drawn from this, says Sherman, is that planners should recognise the different roles of their towns and play to their strengths. There are far more towns looking for relocators than the numbers on offer, and acceptance of the regional role as a source of growth could be far more effective than indulging in expensive promotions.

**D. L.**

Reasons for making the move vary, as **David Lawson** reports

# Relocation moves dwindle

NOT LONG ago London appeared doomed as a business centre. Almost every week another household name made ready to flee the capital, blaming high rents, exorbitant rates, crumbling buildings, parking meters or British Rail suburban services. The great beyond beckoned, with fresh air, green airports within easy reach.

It did not take long for this tidal wave of decentralisation talk to subside. Companies were certainly seeking moves, but at no greater rate than in the past; and the reasons for moving often proved far more complex than a simple rent-rates protest.

The apparent surge of interest in relocation was partly a function of a slack property market. There was relatively little activity in lettings and development because of the recession, so the existing undercurrent of companies seeking space away from London became exposed to the public eye as the one positive trend.

Companies like Esso took the opportunity to air their disquiet about local authority rate levels. It was easy to blame "profligate" local autnorities for impending moves from London and to play down other factors.

Many agents, starved of other business, helped the publicity by concentrating on this seemingly hyper-active sector: almost overnight, provincial office departments became "dencentralised offices" sections.

With the growing awareness of inner city problems, strident local authority antagonism to office activities and some stomach-churning lurches towards enforced structural change, it would have been surprising if relocation had not become big news.

In the cold light of long-term statistics, however, it is plan that movement out of London has not surged. Geoff Marsh and Honor Chapman, at surveyors Jones Lang Wootton, showed that the rate of decentralisation has fallen since the peaks of the 1960s and 1970s.

## Average

Figures from the defunct Location of Offices Bureau revealed that an average of 6,800 jobs a year left the capital between 1964 and 1978 in 361 moves by companies employing more than 100. JLW researches found that from 1979 to 1982, the annual average fell to 3,250 in 62 moves.

The slowdown is partly explained hy the complex reasons why various companies look for different premises. The initial surge came from service concerns like insurance companies seeking to expand. They moved routine operations out, leaving higher order functions like headqoarter operations which are less likely to press for relocation today.

In the 1970s there was also a push out of London because of a lack of large buildings at a reasonable cost in suitable locations. This is now less of a problem.

The drive for economy and integration of space—which has always been the main factor in relocation—became an even stronger influence from the late 1970s, when manufacturing companies became the main candidates for movement out of London, say the JLW researchers.

Property costs play a larger part in the outgoings of this sector, and many have seen rationalisation as a way of easing pressure on profits. International Harvester and Ever Ready have sought to move office headquarters out of their manufacturing centres.

Paul Sherman, of surveyors St Quinton, found that out of 22 companies of all kinds said to be relocating from London last year, only eight were going lock, stock and barrel. Others were cutting staff or keeping a London office, and twice as much space was being released in London by these companies through rationalisation than through relocation.

Staff, in fact, play a key role in relocation decisions. Some moves are certainly aimed at shaking out ageing or top-heavy personnel: established middle managers will often not wish to move because of family commitments and need to retain career alternatives. But quality of life has become an important demand by an increasingly mobile workforce, which encourages some companies to seek the attractions of greener pastures like the Thames Valley.

Companies are usually careful to test out their workforce to see which of the factors is dominant among key staff. Chase Manhattan, for instance, may have been swayed partly by staff opinion in moving to Bournemouth rather than Swindon.

Dudleigh Leigh, of Goldstein Leigh, has gone so far as to say that staff costs an environmental considerations were the main factors in relocation decisions, while rent and rates were the least important.

ICI and Commercial Union might disagree. Both came to relocation decisions after shocking profit figures which prompted a reassessment of property needs.

Commercial Union—which, incidentally, shows that some service companies can also feel the occasional pinch—is sending staff to Basildon and Croydon. It was fortunate to have 100,000 sq ft in the City to let.

Other companies have had to pnt the brake on moves because they are committed to buildings which they cannot let, due to a combination of recession and potential tenants' preference for new space. This may be yet another reason why relocation has slowed.

## Staff

ICI has also siphoned off staff to regional centres—much as other manufacturers have done. Its 300,000 sq ft Millbank complex, however, will be less marketable than CU's building. A move to Victoria is understood to be under consideration—illustrating that not all the relocators quit central London. This is another fact often lost in the hysteria about "London's leavers."

Much relocation has, in fact, been within the capital and is a natural part of companies' growth and evolution. One reason why many of the fears about great volumes of empty office space being left by fleeing companies are exaggerated is that much of the space will be taken by others.

If the property is unsuitable for letting, the tenant will usually remain rather than pay two lots of rent.

A real problem comes from the large number of 21-year and 14-year leases created in the property boom of the 1960s and 1970s. Once these have ended, tenants are free to go, and landlords face mammoth tasks of uprating.

Yet some institutional owners are beginning to welcome the chance to uprate blocks to new standards and switch to multi-tenanted, short-leased property in the modern style.

So far the space released has not been a problem. The 2.2m sq ft vacated in 62 moves recorded by Jones Lan gWootton seems enormous, but it represented only one-third of 1 per cent per year of London's office stock between 1979 and 1982.

That stock has increased by 40m sq ft since 1961 and will continue to do so, even though London's office population is declining by 1 per cent a year because of steadymovement out. Instead of empty offices, however, standards have increased, giving the average worker some three times the amount of floor space he had 25 years ago.

This is a way of matching the improved environment offered to staff outside London and is also necessary to accommodate much new technology.

Relocation will also continue, although the reasons will vary in importance. Geoff Marsh of JLW believes that the manufacturers have now mainly completed their reorganisation, while restored profits have reduced the pressure in any event.

"If any upsurge is coming, it is likely to be from groops like Chase Manhattan and Bank of America. These have reached a stage of maturity where you would expect them to have substantial offices outside London," he said.

**Imposition of VAT on building alterations has come as a major blow**

# Rethink on refurbishment

THE SINGLE most important factor which will influence construction costs this year has been the decision by the Chancellor in the Budget to levy VAT on building alterations with effect from June.

Although primarily intended to apply only to alterations such as kitchen extensions, the move will also affect hundreds of large-scale refurbishment projects. In addition, if some building industry observers are to be believed, a substantial portion of Britain's architectural heritage is threatened. Many are concerned by the Chancellor's moves and until the "dust settles"—literally and figuratively—major projects are being scrapped or postponed.

"One of the great advantages of refurbishment over traditional new build was the cost factor in the form of zero-rated VAT," observes Mr Michael Coates, a senior partner in quantity surveyors Gardiner and Theobald. This has all changed with the Budget and where previously builders benefited from a straightforward 15 per cent incentive they are now faced with a series of anomalies.

"A building that has one facade retained can be assumed to be a reconstruction and will thus fall under the zero-rate of a new build. But if you demolish the guts of the structure, yet retain all the exterior walls, this can easily encounter a VAT rating. The possible anomalies that can arise from this and what some of the finished buildings will look like as a result are unimaginable," says Mr Coates.

## Misguided move

"There is a wide impression within the building industry that the Chancellor was misguided in his application of VAT on building alterations. Many projects under serious consideration before the budget have had blue pencils drawn across them," he argues. "It has been claimed that the impact of the move will soon dissipate but if the economics of a structure are suddenly hit by an extra 15 per cent this will affect it now and in 10 years hence. It will not simply go away but will dog that building for half its useful life."

The option of total demolition and subsequent new build is in fact now likely to come back into the reckoning in a number of cases. "The value of many London properties fell on March 13 (Budget day) and a lot of people just don't realise it yet," says Mr Trevor Osborne, chairman and joint managing director of Speyhawk.

"If we are to retain all the existing walls in one of our refurbishment projects, we will be faced with a VAT bill of £500,000. We have just costed £150,000 to rebuild exactly using similar materials. It seems ludicrous that we should have to knock down a wall and put it back up simply to avoid paying tax, but it doesn't make economic sense otherwise."

The impact of the VAT change on property values, however, is likely to be less important the nearer one gets to the financial heart of London, where the price of the land utilised becomes a greater component in the total cost of the project.

Top quality refurbishment in the City now costs about £100 per sq ft, producing a building with a very high level of finish, including air-conditioning. Recladding the exterior may also be involved. A more mundane refurbishment can cost £70-£80 per sq ft.

As Michael Coates says: "Refurbishment can be as simple as a coat of paint or it can be open-ended in cost terms. To make the project economically feasible it is vital to watch costs more closely than on a conventional building site. One difficulty is that the building is already there and the conventional progression of a development is turned upside down, with finishes and lifts arriving early in the equation."

In new build costings can be reasonably accurate, while in refurbishment every site is different, with fashion dictating certain developments. The labour content is higher than in a conventional building and there is thus greater capacity for cost escalation. More nonproductive costs are incurred, such as overtime, weekend working and the clearing up of areas so that they are presentable during office hours.

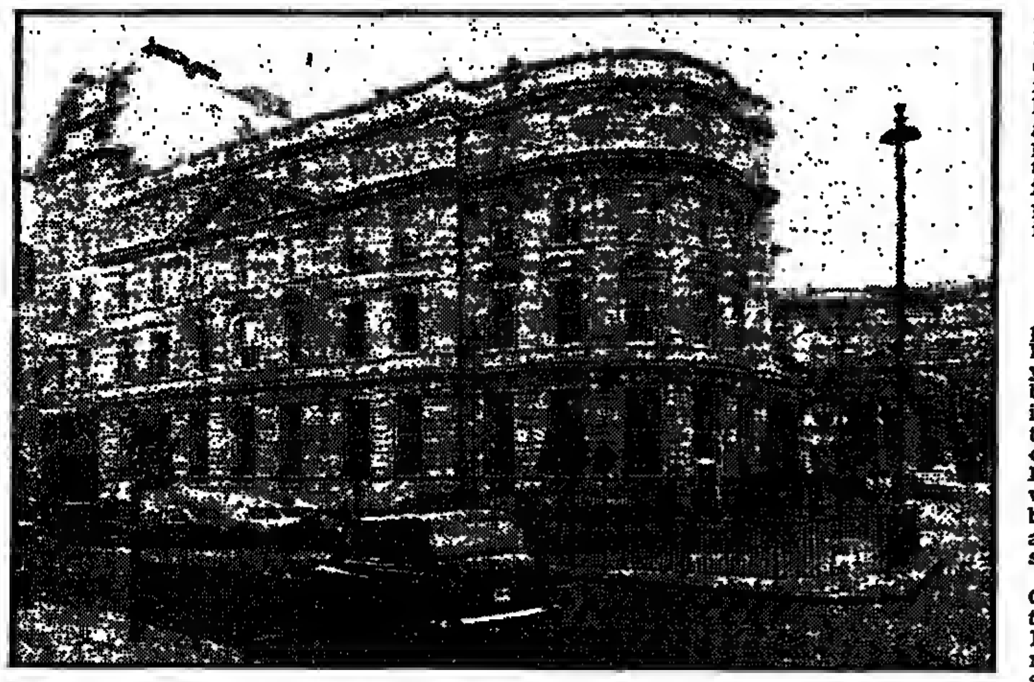
In some cases buildings of the last century are more adaptable than many purpose-built blocks of the 1950s and 1960s. The floor-ceiling heights and floor loading capacities critical for a good refurbishment are often present in these older structures. They are therefore ideal for creating false ceilings, suspended floors and air-conditioning duct paths.

## Fewer problems

Buildings of the 1980s will probably provide fewer problems than those of the last 30 years when it is their turn to be refitted because adaptability is now considered more important even in the short-term use of structures by the same client. Flexibility of lay-out and service is, developers report, even beginning to vie with location as the deciding factor in office selection.

According to Mr Christopher Cotton, a partner in the architectural practice of Whinner Mackay Lewis, "Tenants are more aware of the fitting our side of development do and are conscious of the need to change the interior of a building during the course of its life."

**Paul Hannon**



The Drummonds branch of the Royal Bank of Scotland in London's Trafalgar Square, refurbished by a team including Drivers Jonas and John Leillott. The bank has the only drive-in facility in London, a Victorian banking hall, and still has its original ledgers in the dining room

# Success of a major refit

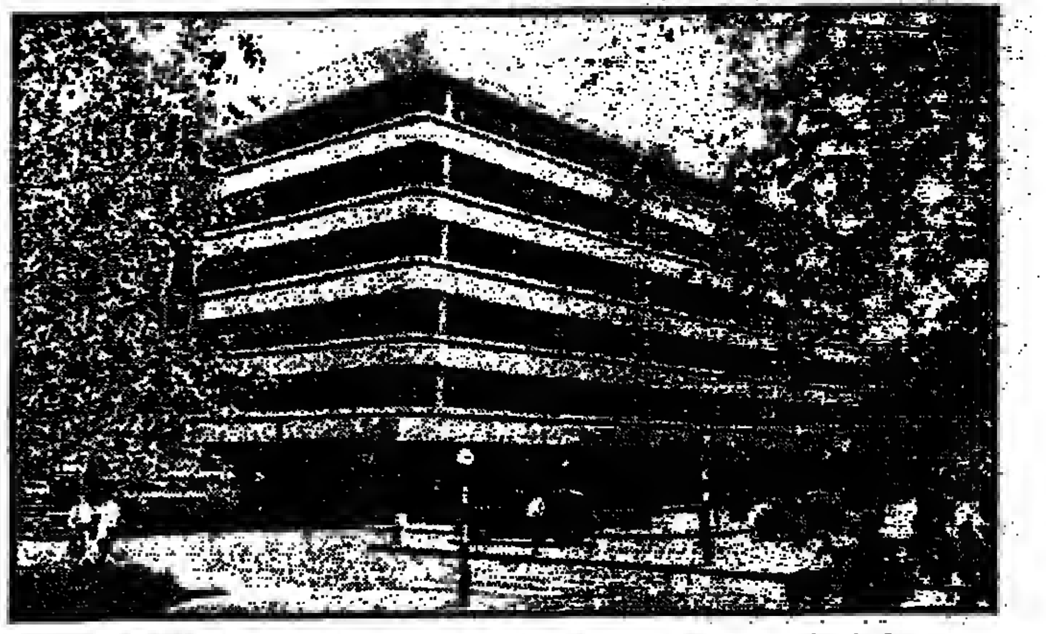
NUMBER 20 Cannon Street is a 1950s building which has been radically refitted both internally and externally for the Copenhagen Handelsbank. Most of the services have been located on the exterior of the shell in order to maximise floor space and a highly visible contrast has been introduced with the use of tinted glass and aluminium.

More work of this sort is expected by Mr Christopher Cotton, a partner in the architectural practice Whinney Mackay Lewis which has been responsible for work on the building. The firm regards it as a successful example of how a building can be updated, allowing it in this case to make an architectural statement of its own without impinging on the neighbouring buildings of Credit Lyonnais and the Financial Times.

"It is possible to produce attractive more personal buildings and add to the environment and street scene rather than detract from it," says Mr Cotton. "This section of Cannon Street although highly diverse, succeeds architecturally.

"By changing a building can survive. When the Royal Exchange was taken over by Life, it was a clear example on an ancient monument responding to the needs of a new generation. Furthermore, the five and a half months of conversion work show that such projects are feasible and cost-effective. As the City expands eastwards we are going to be faced with more challenges like this," Mr Cotton observes.

**P. H.**



20 Cannon Street—exterior contrast by the use of aluminium and tinted glass

# Bureau analysis of cost factors

THE IDENTIFICATION of cost-sensitive areas can alter the outcome of a project quite considerably and it is important for the client to realise in the beginning the options available and the likely implications of any given decision.

A very "graphic" analysis of the cost components of a modern office block has been prepared by Building Economics Bureau and illustrates how the level of services can radically alter the final bill. "We have sought to remove some of the mystery or ignorance associated with costings," says Mr Paul Bennett, of BEB.

For example, a five-floor, 25 metre x 18 metre central core structure yielding 2,250 square metres of gross floor area would have, according to BEB, a £26 per square metre cost for excavation and substructure work regardless of how the building is fitted out later. Similarly, in situ reinforced concrete floors on upper levels would cost about £29 per square metre.

But external walls can vary widely. A specification that called for cavity wall infill panels, an outer skin of facing bricks (£200 per thousand) with flush jointing, an inner skin of concrete blockwork with a 50 mm insulated cavity and stainless steel wall ties would cost an estimated £32.90 per square metre of gross floor area.

At the other end of the scale we are faced with a £153 per square metre GFA for a fully glazed curtain walling system comprising bronzed aluminium framed units, double glazed with "anti-sun" glass, concrete blockwork backing and stainless steel fixing.

A further illustration of the range of costs available to developer and occupier alike is the issue of ventilation and air-conditioning.

Relatively simple extract fans and ductwork to lavatories is estimated at £2.50 per square metre GFA while a twin ducted VAV air conditioning system including all boilers, chillers, filters, grilles, control optimisers and enthalpy controls costs about £143 per square metre GFA. You make your choice and pay your money.

BEB has calculated that for the building in question maximum and minimum rates for specifications are £445 per square metre GFA and £750 per square metre GFA, or a total project cost of between £1m and £1.68m, of which £320,000 — or 20 per cent of the higher figure — would be allocated to air-conditioning.

## Yearly update

These costs are based on prices prevailing in South-East England for "fluctuating" tenders for the first quarter of 1984 and while BEB intends to update the data at least once a year, it is felt in the industry that the current building costs are likely to increase by only 5 per cent this year. Moreover, this is subject to the level of activity in the public sector.

"In a profession loath to be held to fixed prices we wondered why costs should range between £350 and £850 per square metre of floor area and how surveyors and clients could assess at the conceptual stage what was required and what the resources would allow," says Mr Bennett. "If a budget is going seriously wrong it is thus possible to massage it back into shape.

"Since services can represent between 30 per cent and 60 per cent of total costs, there is some room for manoeuvre if you realise where it is and at what stage it becomes available."

BEB's analysis centres on eight building types of design of modern office accommodation with the core as a variable. Within each of these types, three specification levels are examined in detail with every significant component broken down and costed.

The removal of some of the mystique associated with the profession will go part of the way to allaying client fears and generating a productive working environment as the building industry moves into a post-Budget phase.

**P. H.**

SECTION II – INTERNATIONAL COMPANIES
FINANCIAL TIMES
Friday May 25 1984



# Deutz plans DM 75m issue to fund growth

BY JAMES BUCHAN IN BONN

KLÖCKNER-Humboldt-Deutz, the West German engineering group, plans a rights issue later this year to back up a wide-ranging investment programme in its engine, agricultural machinery and plant divisions.

KHD, which is increasing its dividend by balf a point to 16 per cent on improved group net earnings of DM 53.7m ($19.8m) against DM 52m, plans a DM 75m increase in its DM 265m authorised capital.

The issue will be in the form of ordinary plus non-voting preference shares, apparently so as not to impinge on the majority shareholding of Klöckner und Co, the trading concern, and the Henle family.

Herr Bodo Liebe, chief executive, said the company was in no hurry to raise funds. The parent company equity ratio climbed from 24 to 26 per cent last year, with net interest payments down from DM 13m to DM 3m.

In addition, a KHD subsidiary in the Netherlands is sitting on a "piggy-bank" of several hundred million D-Marks from the sale to Fiat of its 20 per cent stake in the Iveco truck venture.

However, the company warned of uncertainties resulting from the West German engineering strike and pointed to planned investments of around DM 1.25bn to modernise its engine and tractor assembly works.

Because of plant orders booked in the past, parent company turnover is expected to climb to DM 5bn this year against DM 3.8bn last year and KHD hopes to maintain a dividend of at least DM 8 per DM 50 nominal sbare. Group external sales last year fell back by DM 143m to DM 4.8bn, balf of the fall attributable to the sale of a subsidiary.

In the first four months of the new year, parent company sales dropped 8 per cent to DM 1bn against the same period in 1983, but KHD is confident that the gap will be made up by mid-year. Orders booked were up 2 per cent to DM 1.3bn, with a 18 per cent increase from abroad cancelling out weakness at bome.

The only anxiety is that component sbortages as a result of the present engineers' strike might affect engine and tractor production, where capacity use has improved in the first four months from 68 to 70 per cent.

# Earnings at Asea surge by 33%

By Kevin Done in Stockholm

ASEA, the Swedisb electrical and electronic engineering group, increased profits by 33 per cent in the first quarter of the year to SKr 513m ($63.7m) – before extraordinary items, appropriations and taxes – helped by rising sales volumes.

Group turnover rose by 20 per cent to SKr 7.8bn. Mainly sales to the industrialised countries are increasing. Asea is still suffering from large construction projects being postponed in developing countries faced with financing problems.

New orders booked in Sweden, the rest of Western Europe and North America all showed growth, with a rise of about 30 per cent over the first quarter of 1983. New orders from Africa, Asia and Latin America all declined.

Overall new orders grew by 17 per cent in the first quarter to SKr 7.8bn, and the group bad total orders worth SKr 30bn oo hand at the end of March.

Asea said that the gradual switch of sales towards industrialised countries should bave a positive impact on profit margins. Asea still expects a "certain improvement" in earnings for the full year compared with 1983.

# Saab goes up market with new 9000 model

BY KEVIN DONE, NORDIC CORRESPONDENT, IN STOCKHOLM

SAAB-SCANIA, the Swedisb motor and aerospace group, yesterday unveiled its long-awaited new car range, the Saab 9000.

The new car, powered by Saab's top of the range 2-litre 16-valve turbocbarged engine, will competè in a market currently dominated by Mercedes-Benz, BMW and Audi of West Germany, and Volvo of Sweden.

Saab has invested almost SKr 2bn ($250m) to develop the 9000, which is larger than the present 900 series. The new car is expected to play a key role in expanding Saab's presence in world markets.

The profitability of Saab-Scania's car division last year was the best since the group began manufacturing cars in 1948. The improving fortunes of the car operation have been the single biggest factor behind the surge in Saab-Scania's group profits, which rose by 46 per cent last year.

Mucb of the early development work for the new car was carried out jointly with Fiat-Lancia of Italy through a programme of technical co-operation agreed in 1979.

Only s few structural components will be common to the Saab 9000 and the new Lancia model. Both manufacturers insisted on keeping individual identities.

The Saab 9000, which delivers 175 bp and will have a top speed of more than 220 kmh, will be launched in the Nordic market in the autumn and introduced in the rest of Western Europe from early 1985.

Much of its success will depend on the U.S. market, however, wbere it will be launched in autumn 1985. The U.S. is likely to become Saab's biggest single car market this year and the new car bas been designed to meet U.S. regulations.

Saab car sales in the U.S. jumped by 39 per cent in the first quarter of 1984, following a rise of 42 per cent last year.

The group has been a late entrant to world car markets and it was only the development of its turbocharged 900 series in the late 1970s that gave it s product on which to base an international dealer network.

Car sales have boomed in the last four years, with production jumping from 65,800 in 1980 to 96,000 last year. For a small specialist car manufacturer, Saab is investing heavily in product development and plant and equipment.

Capital investment in the four years from 1981 to 1984 will total SKr 1.8bn, while a further Skr 1.4bn will have been spent on research and product development.

In February production was expanded to an annual rate of 105,000 units and output will reach 120,000 by the end of 1984. Additional investment has been approved to raise annual output further to 135,000.

Saab was still losing money on its car operation as late as 1979 and 1980, but its performance has improved radically in the last three years.

In 1983, sales of the car division jumped by 31 per cent to SKr 8.3bn, but the real breakthrough last year came in profitability, with the division showing a 20.8 per cent return on capital and an operating income of SKr 821m.

# Schindler up despite sluggish lift sales

By Anthony McDermatt in Lucerne

SCHINDLER, the major lift, escalator and railway carriage manufacturer, lifted its profits last year from SwFr 41m ($18m) to SwFr 44.3m. Sales increased from SwFr 1.66bn to SwFr 1.81bn.

Dr Peter Weichhardt, chairman, said yesterday that "sales in the main sector, lifts and escalators, were distinguished by an extremely sluggish market for high-performance installations."

Against the background of recession, Schindler has done comparatively well. But inevitably the measure of this performance is reflected in the employment figures. Overall, the number employed rose by 3.5 per cent to 22,332 at the end of 1983. But Dr Weichhardt acknowledged that this total included for the first time Keighly Lifts in Britain, Schindler Armor Elevator in Canada and Guiral Industrias Electricas SA in Spain. Without them the workforce wss reduced by 7 per cent to 20,067.

The volume of sales also reached a new peak last year of SwFr 1.87bn, up 7.4 per cent on the figure for 1981. Orders fell in 1982, and thus the increase over that year was 14.4 per cent.

In the most important sector – lifts and escalators – sales rose in 1983 to SwFr 1.51bn from SwFr 1.44bn the year before. According to Dr Weichhardt, sales of new installations of these products were limited by weak exports to the oil-producing countries, as well as a decline in sales to Central and South American states. European countries matched 1982's results.

The value of orders placed for other products increased from SwFr 197m to SwFr 362m. This included several major and long-term rolling stock orders from the Swiss federal railway, and Swiss private railways and urban transport authorities.

# State aid for Johnson oil unit

BY DAVID BROWN IN STOCKHOLM

SWEDEN'S state-owned investment bank and A. Johnson, Sweden's third largest industrial concern, have reached an agreement under which the bank could eventually take a controlling interest in Nynäs Petroleum, a wholly-owned Johnson subsidiary.

The move is sharply at odds with the Swedish Social Democratic administration's attempt to move away from involvement in troubled industrial sectors.

In the initial stage of an SKr 1bn ($125m) reorganisation of the loss-making oil refining operation, which has annual sales of SKr 2bn, the state bank will provide an SKr 100m capital injection in exchange for convertible notes corresponding to a stake of more thay 20 per cent in Nynäs over five years.

During the period, further capital injections are to be decided which could increase the state bank's share beyond the 50 per cent mark.

Johnson, the largest industrial concern still in private hands in Sweden, has resisted moves to open its subsidiaries to public share ownership. However, the higb risk involved in the plan dictated Johnson's decision to approach the government bank, said Mr Göran Ennefeldt, managing director

Johnson retains the right to decide whether to convert the bank's option to shares or repay the loan at "abova market rates," be said.

# SAS expects improvement in full year

By David Brown in Stockholm

SAS, the Scandinavian airline, reports a strong recovery for the first half of 1984, with higher volumes in full-fare traffic and better European market sbares. It says the full year result will exceed the SKr 601m ($75m) profit achieved last year.

The interim surplus, before extraordinary items, climbed from a loss of SKr 99m to a gain of SKr 54m for the six months ended March 1984. Airline operations accounted for the bulk of earnings.

Turnover advanced 15 per cent to SKr 8.13bn, while European passenger traffic advanced 2 per cent on average. Full-fare sales were ahead 10 per cent. Worldwide traffic volume was ahead 3 per cent.

There was an extraordinary gain of SKr 102m, resulting mainly from an aircraft sale. The result does not include insurance income of SKr 395m, nor does it take into account the cost of two DC10s recently purchased for SKr 400m. Both items will appear in the current half years result.

# Italian bank launches expansion in Austria

BY ALAN FRIEDMAN IN MILAN

ISTITUTO Bancario San Paolo di Torino, Italy's fourth largest bank, yesterday paid around $5m to take control of the Vienna-based Bankhaus Brull und Kallmus, a subsidiary of Austria's Creditanstalt Bankverein.

Istituto San Paolo is the first Italian bank to control an Austrian bank. Bankhaus Brull, which has branches in Vienna and Linz, is engaged primarily in investment banking.

Under the terms of the acquisition, San Paolo will control 74 per cent of Bankhaus Brull, while Creditanstalt Bankverein will retain a 26 per cent bolding.

Some 54 per cent of Bankhaus Brull is to be owned directly by San Paolo, and a further 20 per cent will be purchased through Banco Lariano, a San Paolo subsidiary

Last year, Bankhaus Brull had Sch 450m ($26.1m) of deposits and Sch 350m of outstanding loans.

San Paolo, one of Italy's more successful banks, has plenty of cash to spend on acquisitions and is currently in talks with Banca Provinciale Lombarda, the private Lombardy bank owned by Sig Carlo Pesenti.

# James River up 64% in quarter

By Our New York Staff

JAMES River, the U.S. paper group which has beeo expanding rapidly through a spate of major acquisitions, increased its net income in the fourth quarter by 64 per cent to $32m on the back of a 41 per cent rise in sales to $678.7m.

For the year ended April 29, net income totalled $98m, up 78 per cent, and sales rose 39 per cent to $2.3bn.

The group says its record results arise from a sharp recovery in demand and price for specialty papers, communication papers and pulp

# Charter dives heavily into the red

By Terry Byland in New York

CHARTER, the Florida-based oil and insurance group which filed under Chapter 11 of the bankruptcy code at the end of last month, lost $38.2m in the first quarter.

The second quarter is likely to bring a "substantial loss provision", which may mean a significant reduction or elimination of stockholders' equity, directors warn.

In last year's opening quarter, Charter turned in net earnings of $952,000, but there was nothing for common stockholders after preference dividends were paid.

The domestic marketing group turned in an operating profit for the quarter reported. Overall group sales advanced from $1.3bn to $1.61bn.

The results have been prepared nn a going-concern basis, but the board commented that Charter's future depended on its ability to reorganise successfully under Chapter 11.

Charter also disclosed that Mr Raymond Mason, who built up the company from his family's lumberyard and still controls about 18 per cent of the stock, is standing down as chief executive, although he will remain chairman.

# New fashion in bottles hits Molson results

BY BERNARD SIMON IN TORONTO

MOLSON, one of Canada's largest brewers, raised net earnings to C$68.9m (U.S.$53m) or C$2.41 a share, in the year to March 31 against C$64.3m or C$2.27 the previous year, despite lower operating profits from its beer interests.

The past year's results exclude an extraordinary debit of C$17.8m, reflecting the cost of disposing of surplus compact beer bottles, which have become outdated since the introduction last year of a popular long-necked bottle by one of Molson's competitors, Carling O'Keefe. If the write-off on the old bottles and other extraordinary items are included, Molson's earnings declined to C$51.3m or C$1.69 per share last year, from C$61.4m or C$2.01. Revenues rose from C$1.76bn to C$1.81bn.

Mr James Black, Molson's chairman, said that higher spending on new containers and other packaging "will result in reduced operating profits for the Canadian brewing industry and Molson." Molson lost market share as its competitors moved more quickly to the newer bottles, but Mr Black said that its share now appears to bave stabilised. He said that higb priority will be given to expanding exports to the U.S.

Prospects for Molson's non-beer interests, which include chemicals and lumber, are more favourable. Contributions from these divisions offset lower operating profits from beer in the past fiscal year, and Mr Black said that prospects are good for a continuation of the lumber division's recent strong performance.

# Litton profits up sharply

BY OUR NEW YORK STAFF

LITTON Industries, the U.S. defence and electronics group, lifted its earnings from continuing operations by 17.4 per cent to $76.5m in the third quarter ended April 30.

Net income for the period totalled $75.9m, against $58.8m a year earlier, wben the figures were depressed by a $6.5m loss on discontinued operations. Earnings per share in the latest period totalled $1.77, up from $1.52 (including 15 cents per share for discontinued operations).

# Finland survey

IN the banking article of the Finland Survey (FT of May 22) it was stated incorrectly that Kansallis-Osa a-Pankki OP bad opened a wholly-owned subsidiary bank in London, and that Union Bank was planning a similar move. KOP has opened a full branch operation and Unioo Bank will later do the same.

# INTL. COMPANIES & FINANCE

## Jammal Trust Bank chairman detained

By Charles Richards in Cairo

Mr Amin Gemayel, the Lebanese president, has sent a special envoy to Cairo to hold talks with the Egyptian authorities to try to resolve problems concerning a Beirut-registered bank and its chairman, who has been under house arrest for more than a month.

According to Mr Ali Abdallah Jammal, a Lebanese national and chairman of the Jammal Trust Bank, the Egyptian authorities had previously agreed to accept guarantees totalling $22m offered by the envoy, Mr Sami Maroun, in order to obtain his release. The guarantees cover unpaid cheques issued by Jammal Trust's Egyptian branch.

The Egyptian authorities are refusing to comment on the affair saying that it is in the hands of the Socialist Prosecutor General, who has special powers to deal with allegations of corruption.

Mr Jammal was placed under house arrest on April 15 following a decree issued under the country's emergency regulations that was signed by Dr Fuad Mohieddin, the prime minister. The banker is presently confined to his luxury villa on the Nile and although there are two security officials on his door, he is allowed to receive visitors.

The running of Mr Jammal's bank affairs in Egypt has been taken over by the country's Central Bank.

According to Mr Jammal: "We were duped by our own staff." He alleges that four former employees accepted bribes to extend loans to a well known money lender. The Socialist Prosecutor is presently studying the books of Jammal Trust and of another, wholly Egyptian owned bank.

The unpaid cheques were issued on behalf of Jammal Trust to three Egyptian banks. The Beirut-based bank is refusing to honour these cheques on the grounds that they were not properly authorised.

The $22m in guarantees that are being offered will come partly from a pledge of his personal assets by Mr Jammal and partly from the Lebanese ecotral bank, claimed the detained banker. His assets in Egypt include a 50 per cent stake in a 1,500 acre tourist development and a prime office site in central Cairo.

● Our Financial Staff adds: The Jammal Trust Bank was set up in 1963 as a subsidiary of the Litex Bank. On information the bank was known as the Investment Bank. In 1971, Mr Jammal and a group of Lebanese shareholders bought the bank from Litex and it took on its present name in 1978.

Litex Bank is an unusual institution. It is 97 per cent owned by the Bulgarian Foreign Trade Bank and is headquartered in Beirut with offices in Sofia and London. Its board of directors at the end of 1982 comprised several Bulgarian officials and three Lebanese—Mr Sami Maroun, Mrs Lily Maroun and Mrs Ronalda Maroun.

## Hitachi raises income on firm sales advance

BY YOKO SHIBATA IN TOKYO

HITACHI, one of Japan's leading electronics company's surpassed Matsushita Electric Industrial, usually seen as the leading company in earnings capability for the first time in fiscal 1983.

Hitachi's net profits in the year to March 3 rose by 12 per cent to Y83.4bn ($359m) and pre-tax profits surged 19 per cent to Y187.2bn on full year sales of Y2,648bn, up 13 per cent.

Profits per share were Y29.76 as compared with Y26.59 in the previous year. Hitachi's pre-tax profits to sales ratio — believed to be a reflection of earnings capacity by local stock market analysts — for the first time topped 7 per cent to reach 7.1 per cent compared with 6.9 per cent for Matsushita.

Both electric appliance giants have been fiercely vying for the top earner position. Hitachi's impressive earning performance was attributed to an expansion of the proportion of electronics products in its products mix and higher sales of VCRs.

During the past year, Hitachi's sales of electric power systems and equipment rose by only 3 per cent to account for 22 per cent of the total — reflecting sluggish capital investment in the domestic steel and power industries. On the other hand, Hitachi's sales of consumer electrical products rose by 20 per cent.

The company's sales of information and communications systems and electronic devices rose by 28 per cent to account for 34 per cent of the turnover. In particular, sales of computers, centering on personal computers, improved by 22 per cent to reach Y448bn. Sales of semiconductors also rose strongly, by 44 per cent.

Exports accounted for 32 per cent of total sales up by 23 per cent from the previous year.

During the past year, Hitachi paid IBM approximately £300m to settle the lawsuit concerning alleged industrial espionage. The company also lowered its VCR and semiconductor manufacturing equipment prices ahead of the scheduled time to take into account the shorter life-span of the equipment.

These higher costs were more than offset by the favourable effects of volume production of more profitable products and the sharp increase of net financial revenues.

The company increased its term end dividend by Y0.5 to pay Y7.5 per annum.

## C. Itoh sees higher revenues

BY ROBERT COTTRELL IN TOKYO

C. ITOH, Japan's third largest general trading house, has reported net unconsolidated profits for the year to March 31 of Y3.41bn ($14.7m), up from Y3.08bn in the previous period. Pre-tax profits fell from Y33.81bn to Y30.97bn.

The company is maintaining its dividend at Y3 per share and says it expects sales to rise from Y12,988bn in 1983-84 to Y13,500bn in the current period.

C. Itoh specialises in energy-related and chemical products.

Marubeni, the general trading company which vies with C. Itoh for third place in the "soga shosha" league, yesterday reported unconsolidated net profits of Y3.74bn for the year to March 31 up from Y346m.

Pre-tax profits fell from Y23.21bn to Y23.1bn and the dividend is maintained at Y5.

Marubeni does not forecast profits for the current financial year, but says it expects sales to rise to Y12,400bn from Y11,820bn in the period just reported.

The company's profits are recovering from a poor 1982-83 fiscal year in which its domestic subsidiaries were in the trough of Japan's recession, and the group was suffering debt delinquencies. Its major product lines are machinery, chemicals and metals.

## MHI boosts earnings 109%

BY OUR TOKYO STAFF

MITSUBISHI Heavy Industries (MHI), Japan's largest heavy machinery maker and shipbuilder, more than doubled its unconsolidated net profits to Y206.9bn ($893m), up 109 per cent in the fiscal year ended March 31, 1984, thanks to an improved operation rate in the shipbuilding sector helped by big orders received for small bulk carriers and rationalisation efforts in its chemical plant sector.

Full year recurring profit jumped by 116.6 per cent to Y53bn on sales of Y1,908.1bn, up 16.2 per cent from the previous year. Net profits per share advanced to Y10.66 from Y5.12 in the previous year.

During the past year, sales in the shipbuilding sector fell by 4.2 per cent to account for 16 per cent of the total turnover, partly because of the decline in vessels to be delivered. Sales of its prime mover went up by 26.7 per cent to account for 30 per cent of the total turnover. Sales in the chemical plant sector jumped by 51.6 per cent to account for 16 per cent of the total turnover. Sales in the machinery sector and aircraft sector improved by 5 per cent and 9 per cent respectively.

Exports, accounting for 34 per cent of the total turnover, rose by 10.2 per cent. Orders received in the past year increased by 3.7 per cent to reach Y1,743bn.

Effects from an improved operation rate in the shipbuilding sector, a decline in unprofitable overseas plant construction orders and higher revenues boosted profits.

In the current fiscal year ending March 1985, MHI plans to receive orders of Y200bn. Sales in chemical plant and machinery are expected to slow down. As a result, sales are expected only to equal the previous year's level.

The company expects earnings to be the same as in the previous year.

## Sharp increase in profit by leading polyester maker

BY OUR TOKYO CORRESPONDENT

TEIJIN, the textile and plastics company which is Japan's largest polyester producer, says its unconsolidated net profits rose sharply to Y12.16bn ($52.3m) in the year to March 31, from Y7.11bn previously.

Pre-tax profits rose to Y20.35bn from Y13.54bn, while sales rose to Y425.32bn from Y412.8bn. The dividend is increased to Y5.50, from Y5.

Teijin forecasts for the current year that it will achieve net profits of Y13bn, and pre-tax profits of Y25bn, on sales of Y440bn. It plans a further dividend increase, to Y6 per share.

Asahi Chemical Industry, an integrated synthetics manufacturer, reports unconsolidated net profits of Y11.12bn for the year to March 31, up slightly from the Y10.8bn earned in the previous year.

Pre-tax profits rose more sharply, from Y16.87bn to Y26.82bn but special below-the-line costs were added by lump-sum payments to retiring employees.

Asahi's sales rose from Y629.55bn to Y706.46bn, while the dividend has been maintained at Y6.

## Hino Motors reports further decline

By Our Tokyo Correspondent

HINO MOTORS, the principal truck-manufacturing affiliate of the Toyota Motor Group, says its net profit for the year to March 31 fell to Y4.2bn ($18.1m) from Y4.75bn—the company's second successive earnings decline.

The dividend is maintained at Y6 and is forecast to be the same for the current year.

Pre-tax profit fell from Y8.25bn in 1982-83 to Y6.35bn in 1983-84, on near static sales of Y392.7bn against Y396.4bn.



## National Australia Bank ahead

BY LACHLAN DRUMMOND IN SYDNEY

NATIONAL AUSTRALIA BANK has followed its two bigger private banking rivals in reporting a 40 per cent jump in net earnings from A$75.8m to A$106.2m (US$96m) for the six months to March 31.

The company proposes to raise A$208m through an issue of 10 per cent subordinated convertible notes for only nine months after it approached shareholders for A$130m through a discounted one-for-four rights issue.

The bank's expectation of opposition from its big institutional shareholders, who for the most part are already heavily weighted in bank stocks, is evident in the pricing of the issue which is pitched at the equivalent of yesterday's pre-issue share price of A$3.40 rather than carrying the traditional premium over current prices for future conversion.

The issue news knocked the shares to $3.35 in an already edgy market.

As such the bank is offering shares on a 10 per cent yield compared with the historically generous 7.35 per cent prospective yield established with yesterday's increase in the interim dividend from 11 cents to 12.5 cents. The notes are convertible at two-year intervals from June 30 1985 to 1993.

The bank says the additional cash is required to fund normal growth and expansions in electronic banking. The latter spending is not expected to bring immediate returns.

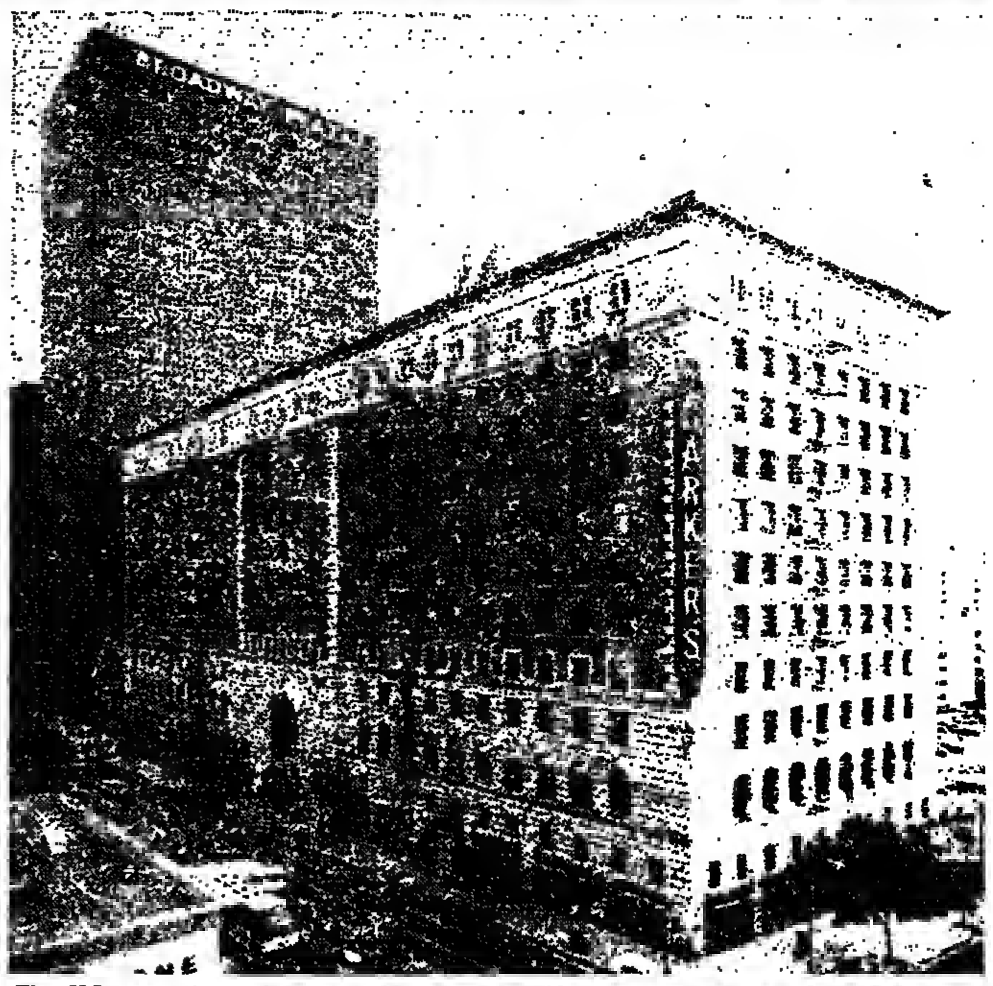
Per share profits came out at 32.8 cents compared with an adjusted 29.5 cents.

FINANCIAL TIMES SURVEY

Friday May 25 1984

# International Property

Several of the world's major property markets are showing signs of moderate recovery. The question is whether the improvement can be maintained. Investors remain cautious and users highly selective



The U.S. property market continues to attract widespread interest from foreign investors. Hammerson, the UK property investment and development group with substantial North American property interests, has just paid about $60m (£43m) for this Barker Brothers building in downtown Los Angeles

## Time for rethink on priorities

**ABOUT 2,000 people from the world of commercial property meet in London over the next few days at the 35th Congress of the International Real Estate Federation.**

International property markets have certainly been providing participants with plenty of food for thought. The business of development and investment has been undergoing one of those periodic upheavals which the evolution of any industry demands.

**By Michael Cassell**

The widespread global recession either forced or encouraged a long-overdue revaluation of property requirements among occupiers. In turn, the property industry has been forced to rethink its own strategy and priorities.

So while the *immediate* health of the world's major commercial property centres will monopolise much of the conversation in *London* during the next week, other important issues will also get a good airing.

Appropriately, the theme of the Congress will be the need for the property business to adapt to the changing environment around it, to take into account the impact of technology on new buildings, to seek faster and more efficient construction methods and to pursue original, innovative design.

Besides a broad range of skills, property also consumes vast financial resources, so the search for new sources of money and for new funding formulas represents an equally important part of the industry's evolution.

The commercial property business presents widely differing pictures around the world. In many European countries, for example, it has long been regarded as a prime investment vehicle for major financial institutions, which long ago perceived the benefits of steadily rising capital values and regular increases in rental income.

In the U.S., however, the market was for many years dominated by private investors in the shape of developer-owners. Only relatively recently has the market become institutionalised, and even now the relatively small investor maintains a powerful influence through the syndicated investment companies which have mushroomed like the properties they own.

The U.S., above all other markets, continues to attract the majority of funds available for cross-border investment in property. The market is keenly competitive and higher returns are usually reflected in higher *risks*. But *most investors still* regard it as the safest and most stable place in which to put their money.

*Several major* property centres in the U.S. are now enjoying a buoyant recovery and such is the scale of investment interest that the traditionally high yields which have attracted investors are falling back quite significantly.

Few people are likely to be put off, given the tax advantages extended to real estate ownership and the underlining confidence for longer-term prospects in what is usually a longer-term and relatively illiquid investment.

In marked contrast to the U.S. outlook, the Hong Kong property market would be hard-pressed to offer investors much in the way of stability, given its recent record. Scandals have been numerous and the property sector has paid the price for a building binge which ignored the laws of supply and demand.

But now an even bigger threat to business confidence—a fundamental factor behind any form of investment but particularly with something as illiquid as property—has arisen with the emergence of the outlines of a settlement over Hong Kong's future.

*Although* the subsequent transition may be a prolonged one, Hong Kong is due to be taken over by Communist China in just 13 years, when British administration ends. The full impact of that prospect on the commercial property market, a major element in the colony's economy, has yet to sink in.

In a report which coincided with the first official British statement on the progress of the Sino-British negotiations *since they began in 1982*, Jones Lang Wootton, the surveyors and estate agents, put a brave face on it.

### After 1997

Their review states: "Whatever happens after 1997, there are still 13 years in which to prosper. Pay-back periods in all fields of business will reflect the risks involved and prices will adjust to attract investment. There has already been a significant reduction in property values."

Jones Lang Wootton emphasises that Hong Kong has become the place for international companies to base their Asian regional offices and new companies continue to set up there in preparation for the opening up of China. But decisions like those of Jardine Matheson to relocate their legal base do little to support such confidence.

Jones Lang Wootton goes on to point out that the countries which are most relaxed about the future of Hong Kong are, fortunately, its two major investors—the United States and Japan. American investors, they add, are being "positively encouraged" by the appreciation of the dollar and the drop in local real estate prices.

All, or some, of these suggestions may be true but there can be no escaping the fact that Hong Kong's dynamism is now overshadowed by its uncertain fate. Unpredictability has never been a basis for enthusiastic property investment.

One of the beneficiaries of Hong Kong's problems may well be alternative commercial and financial centres in the same region, like Singapore, with its thriving, free-enterprise economy and an "open door" investment policy.

Institutional investment in commercial property is very limited because of the absence of domestic pension funds, but foreign contractors and developers are present and it is widely assumed that overseas investment finance for property will now begin to emerge. The market is small and highly-priced but there is evidence that investors from Japan and the Middle East are already taking a close interest.

In Europe the major property markets have remained comparatively subdued, with sluggish economic growth widely reflected in slack demand for most types of property.

Rents generally have shown little growth and, in turn, development and investment activity has been restricted and increasingly selective. In the UK, for example, the level of institutional investment in commercial property fell during 1983 to its lowest level for five years. Similar disenchantment has been reflected in the investment interest of pension funds and insurance companies on the Continent.

There are now some signs of an improvement in demand for space—the first stage in any fresh cycle of investment and development — in important centres like London and Paris. But the general view appears to be that any improvement will be gradual and that not all types of property—or all locations—will benefit from a brighter climate.

A common theme in European markets has been the growing tendency for occupiers to go for the best accommodation available, opting for efficient, functional and modern space in preference to older floorspace which is not necessarily cheaper when total overheads are calculated.

### Extend life

The development industry has responded by embarking on a wave of improvement and refurbishment activity designed to extend the life of property which, in a tenants' market, can no longer guarantee a rising income—or any income at all.

Once the properties are knocked into shape, the landlords may also have to pay more attention to the terms and conditions on which they let their buildings. Shorter leases and less regular reviews, already apparent in some markets, indicate a growing acceptance that the landlords' dominance can be shaky.

There have also been indications that investors, whilst still prepared to treat commercial property as a serious option, may prove increasingly reluctant to expose themselves on large, individual projects. As a result, consortium-funding techniques are beginning to emerge and could well be heavily exploited in future.

How many of the recent changes in attitudes towards property prove enduring and how many are ditched if and when, the supply-demand balance swings back in favour of the property owner, remains to be seen.

The occupier has put the recent climate to good advantage and will be fighting hard to maintain the initiative.

**CONTENTS**

# International Property 2

Rents remain sluggish in most world centres. **William Cochrane** reports on occupation cost comparisons

# Lack of any uniform trend

**RENTAL PERFORMANCE**

| | Annual rental change per cent | | | |
|---|---|---|---|---|
| | £ | Local | £ | Local |
| Adelaide | N/A | N/A | 9.9 | 8.8 |
| Amsterdam | 10.5 | 5.0 | 4.7 | 1.9 |
| Brisbane | N/A | N/A | 18.0 | 16.8 |
| Brussels | 9.1 | 5.6 | 3.6 | 3.2 |
| Canberra | N/A | N/A | 8.5 | 7.1 |
| Dublin | 10.7 | 12.8 | 7.7 | 10.7 |
| Edinburgh | N/A | N/A | 7.2 | 7.2 |
| Frankfurt | N/A | N/A | 8.0 | 4.0 |
| Glasgow | 12.4 | 12.4 | 15.2 | 15.2 |
| Hong Kong (central) | 15.8 | 13.3 | 12.5 | 12.8 |
| Houston | N/A | N/A | 16.3 | 10.4 |
| Jakarta | N/A | N/A | 9.5† | 6.1† |
| Kuala Lumpur | N/A | N/A | 18.9 | 12.7 |
| London (City) | 6.7 | 6.7 | 6.4 | 6.4 |
| London (West End) | 9.4 | 9.4 | 7.1 | 7.1 |
| Los Angeles | 13.7 | 9.7 | 23.1 | 16.6 |
| Melbourne | N/A | N/A | 17.9 | 16.7 |
| New York (midtown) | 12.3 | 8.4 | 23.0 | 17.2 |
| Paris | 7.4 | 6.5 | 4.8 | 7.5 |
| Perth | N/A | N/A | 15.6 | 14.3 |
| Rotterdam | 7.7 | 2.5 | 5.1 | 2.1 |
| San Francisco | 14.1 | 10.0 | 19.4 | 13.5 |
| Singapore | 18.7 | 10.9 | 22.5 | 14.8 |
| Sydney | N/A | N/A | 16.5 | 14.8 |
| The Hague | 11.4 | 6.2 | 9.5 | 6.6 |
| Tokyo | N/A | N/A | 15.0 | 6.1 |
| Washington DC | 15.7 | 11.6 | 19.4 | 13.5 |
| Mean | 11.7 | 8.7 | 12.8 | 10.2 |
| Standard deviation | 3.4 | 3.2 | 6.2 | 4.9 |

† 1977-83.

Source: J. L. W. Research International.

TWO YEARS ago top office rents in Hong Kong were the highest in the world in sterling terms—£30.58 per sq ft compared with £29.89 in New York and £28.00 in London, according to the May 1982 survey of world rental levels produced by London agents Richard Ellis.

This survey took a dim view of the situation. Observers were saying then that the Hong Kong property market was facing a major test of nerve. High interest rates, a downturn in the local and national economies and a rising oversupply of space as a result of speculative development suggested that an historically mercurial market was liable to show that it could swing both ways.

In May of this year, again according to Ellis, Hong Kong is down the table at £19.25 a sq ft and the malaise has extended to Singapore, which has come back from £21.06 to £15.90 a sq ft over the two-year period.

There are other areas of actual or potential instability, masked or exaggerated by the currency fluctuations which bedevil international rental comparisons. Two years back New York had seen rental levels more than doubling from $29 to $60 a sq ft since January 1980.

It has subsequently slipped back by up to a fifth in dollar terms (Ellis say to $52.50 but local professionals indicate a modest recovery recently) and fallen behind Tokyo—top of the table for sterling rents at £36.79. It happens that at Y11,700 per sq metre per month, this market is exactly where it was a year ago.

Earlier this year some U.S. property brokers were predicting top New York midtown rents of $80 a sq ft within two years, so it may take more than appreciation of the yen to keep Tokyo on top.

Taken in terms of total occupation costs, the Ellis survey will probably be greeted by the usual cliché—at this level the City of London is the "most expensive place in the world."

Including rates and service charges, the City comes out at £52.70 a foot compared with £45.63 for New York and £44.52 for Tokyo. Given that the market makes the rent, the City could just as reasonably be described as the most attractive office location in the world—and revel in it.

Other noteworthy elements in the Ellis table include the stagnation or decline of most European cities, the rise of other American cities over two years and excellent performances in Australia from Sydney, Melbourne and Perth during the same period—with sterling rises of 42 per cent, 34 and 53 per cent respectively.

## Growth rates

Meanwhile, another firm of top London agents, Jones Lang Wootton, have got into the act with a March 1984 guide to trends in international office rents. Their table lists annual growth rates for top office property in 27 centres for the periods 1970-84 and 1975-84 both in terms of local currency and in sterling.

For the 1975-84 period JLW notes that in terms of sterling the high performing cities are Brisbane, Los Angeles, New York (midtown), San Francisco, Singapore and Washington DC. "The high proportion of U.S. cities," they say, "may help to explain UK investors' interest in U.S. property investment since 1979."

In local currency terms, the high performing cities are Brisbane, Glasgow, Los Angeles, Melbourne and New York (midtown). "To some extent," JLW points out, "high performance is related to low initial base rental values." This point, they say, highlights the importance of base year selection in rental growth calculations.

Partly for this reason, JLW have put in graph form the rental information on each of the cities considered. These show that Brisbane, Hong Kong, Jakarta, Kuala Lumpur, Los Angeles (with hiccups) Melbourne, Perth, San Francisco, Singapore and Sydney all went into overdrive towards the end of the 1970s.

Unfortunately, Dublin and New York did it too, ruining what would otherwise have been a perfectly decent Pacific Basin theory.

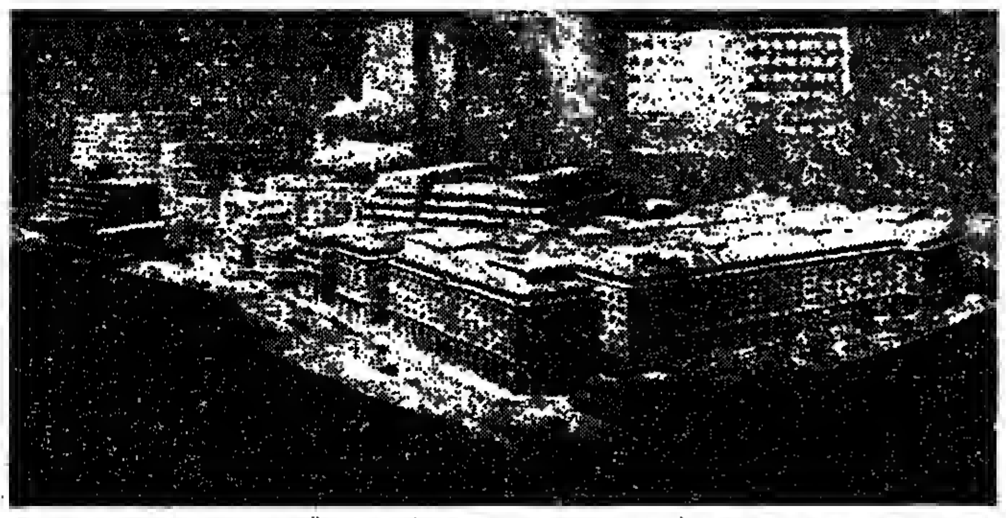
**WORLD OFFICE RENTALS**

| | Equivalent net rent in £ sq ft pa | Service charge per cent | Rates/property tax per cent | Total occupation cost £ per sq ft |
|---|---|---|---|---|
| London—City | 31.00 | 15 | 55 | 52.70 |
| London—West End | 22.00 | 18 | 40 | 34.76 |
| Manchester | 6.50 | 38 | 56 | 12.61 |
| Glasgow | 7.00 | 39 | 63 | 14.14 |
| Brussels | 4.99 | 29 | 11 | 6.99 |
| Paris | 16.17 | 25 | 5 | 21.02 |
| Amsterdam | 6.61 | 20 | 15 | 8.03 |
| Frankfurt | 9.54 | 25 | 1 | 12.02 |
| Madrid | 8.10 | 22 | 5 | 10.33 |
| Barcelona | 4.97 | 21 | 5 | 6.26 |
| New York | 34.93 | 12 | 19 | 45.63 |
| Chicago | 15.67 | 33 | 22 | 24.29 |
| Los Angeles | 20.29 | 18 | 6 | 25.28 |
| San Francisco | 23.19 | 22 | 6 | 29.68 |
| Sao Paulo | 6.21 | 31 | 4 | 8.38 |
| Singapore | 15.90 | 22 | 30 | 24.17 |
| Hong Kong | 19.25 | 15 | 11 | 24.25 |
| Tokyo | 36.79 | 11 | 10 | 44.52 |
| Johannesburg | 8.13 | 21 | — | 9.84 |
| Melbourne | 11.01 | 24 | 12 | 14.97 |
| Sydney | 19.25 | 12 | 10 | 23.48 |
| Perth | 7.73 | 27 | 16 | 11.05 |

Source: Richard Ellis.

Sentiment in Western Europe remains generally dull, though observers in some countries detect hopeful signs

# Institutional investors moving back into the market



Shown here in model form is London Bridge City, likely to prove a major international influence on the UK property market. The developers, Arab-owned St Martin's Property, could spend some £350m on this giant project on the South Bank of the Thames

## United Kingdom

WILLIAM COCHRANE

WHAT RECOVERY there was in the UK property market last year came too late to affect the statistics. Among other things these showed another deep decline in institutional investment in the sector and evidence of apparent over-development of office and industrial buildings.

The latest figures released by the Central Statistical Office (CSO) confirmed the reluctance on the part of UK insurance companies and pension funds to allocate funds to commercial property, which has been providing poor returns in contrast to those available from Government stocks and equities.

Domestic investment from these sources plunged to its lowest level for five years during 1983, to £1.3bn compared with nearly £1.8bn in the previous 12 months and £2bn in 1981.

In office property, agents Hillier Parker recently estimated the country's surplus of office space — or at least the amount of available unlet space —at 27.4m sq ft, up by over 25 per cent in one year and by more than 50 per cent in two years.

King and Co.'s January report on available industrial space in England and Wales showed a rise of "only" 1.26 per cent in the four months to mid-December to a total of 171.6m sq ft. They said at the time that this reinforced the view that the continuous increase in available floorspace recorded between December 1979 and April 1983 might have abated.

But here we come back to Hillier Parker. In March the firm conducted a survey on empty space in new industrial properties and reported voids in new schemes up from 10 per cent in February 1983 to nearly 34 per cent in the same month of this year, despite a small drop in the level of new development.

In retail property the picture was different. Development passed its zenith, in terms of major shopping centres, some years ago and one of the major themes of the year was the need to refurbish many of the developments undertaken between ten and 20 years ago.

Institutional funds, on average less well represented than they would want to be in this sub-sector, have continued to channel in their money. Perhaps it helped in that it is much easier to buy small prime shop investments — and that these also tend to go obsolete at the expense of the tenant rather than the landlord.

However, things were getting better for the whole market towards the end of last year. In their latest international property report, agents Richard Ellis reckon that this will continue: "The upturn in the property market noted at the end of 1983," they say, "has continued into 1984. Tenant demand for good quality property is stronger, institutional funds are moving back into property and property companies are performing consistently well."

There are those who think that the level of new investment in property will show a marked improvement in 1984. Rowe and Pitman Property Services, the property arm of the City of London stockbrokers, think that the figure could get back to the £2bn level again.

It will be interesting to speculate on how this figure is made up, if it is actually achieved. The investment market can be sectioned in a number of ways. Jones Lang Wootton, in their international property report 1984, said that a two-tier investment market continues to operate in Britain, "with prime property still extremely keenly sought after and secondary property sometimes languishing."

One or two of the more active funds might say that they can get more out of secondary property if they can work it hard enough. "You can get a secondary office yield down from 8 to 7 per cent," said one fund manager, "but if you are into prime at 4½ you are not going to go much lower."

Design, style — "we're in show business" — was the mood in retailing, all of it great fun. But city planners and developers and refurbishers of city centre shopping property should not forget the operational quality angle. Too much in town shopping in the UK has been turned into a slog by the lack of adequate access roads and/or adequate and reasonably priced car parking.

Out-of-town and edge-of-town shopping in the UK has taken a long time to catch on across a broad range of retailing but it is expanding fast now in foods (still), consumer durables and do-it-yourself, with others in prospect. U.S. retailers talk of their town centres as the "hole in the doughnut" — with all the action around the perimeter.

The maturing fund manager too is more likely to go for direct development; it was a feature of the 1983 investment market that funding was available on a selective basis while there was not so much interest in completed investments.

As they become their own developers the funds are remembering the lessons of 1981 and 1982 when, after a boomlet in the construction of new commercial property with secondary locations and developments of questionable quality, the occupier took and exercised the whip hand.

There are catchwords in all three sub-sectors of the market. Operational quality is what they talk about for offices — large floors, good natural lighting, air-conditioning, underfloor voids and so on.

In industrial property the phasing-out of industrial building allowances in the last Budget removes an uneasy prop to the development market. But "high-tech," mixed centres and science parks give observers hope, as does the massive international electronics presence in centres as far apart as Scotland and the M4.

# Paris brokers see signs of recovery in the offing

AT LONG LAST investment sentiment in the French property market is beginning to show some signs of improvement. Since the Socialists came to power in France in May 1981, property investors seemed to have been seized by a sense of panic.

Investment, especially in high-quality residential and secondary residence property, has dried up over the last two years.

All the large Paris-based property brokers expect a recovery in the investment segment of the market. Jones Lang Wootton says that while the market for investments over FFr 50m remain limited, demand has been growing for transactions in the FFr 10m to FFr 50m range. Some pension funds and insurance companies are also considering investments of more than FFr 100m but on an exremely selective basis.

M. Hugues de Diesbach, who heads the Cabinet Belleroche, a medium-sized Paris residential broking and property management concern dealing at the top end of the Paris market, suggests that the remarkably strong performance of the Paris bourse during the past two years could help to stimulate a recovery in property investment.

But this again is likely to be on a very selective basis. "Many people have made money on the Bourse and may start looking to place their gains into new investment vehicles," says M. Diesbach.

He sees a possible pick-up in residential investment not only in the Paris area but also in the provinces in such cities as Lille, Tours, Bordeaux, Marseille, Lyon and Grenoble.

M. de Diesbach also sees attractive investment opportunities in agricultural land. Here French prices have fallen more sharply than in the real estate market, where the bottom has probably now been reached. Some Swiss and Canadian investors have started to show interest in agricultural property in France. Land prices in the central regions of the Nièvre and Allier are particularly attractive for potential investors, with prices per hectare falling to between FFr 8,000 and FFr 10,000.

The residential rental flat market, and the top end of the Paris market especially, remains in a state of suspended animation because of the controversial rent law, introduced by the Socialists, called La Loi Quillot.

This law caused a trauma in the market, drying up available space because many property owners were deeply worried that their rights over tenants would be greatly diminished—much as the turmoil in the UK rental market was caused by the celebrated Wilson Government Rent Act.

One problem of the Quillot legislation was that it took so long to come into effect. The anxieties provoked by the law on the market have yet to be abated because the law has not yet been tested in court.

A few cases under the new law are being heard by the courts now, though no judgments have yet been handed down. But professional property dealers and brokers acknowledge that there had been widespread abuse by individual property owners, which led to the introduction of stricter rent legislation.

The impact of the new legislation, market professionals claim, has been largely directed at the individual property owner. Moreover, market professionals say that more and more individual owners will now have to turn to the professional because of the complications of managing even a limited number of rental properties.

If the demand for rented residential property, especially in Paris, continues to outstrip supply—and the search for a flat in the capital is still a most unsavoury and humiliating business—the situation is no better in the office market. This market continues to suffer from chronic shortages and consequently has seen rents and prices continue to rise steadily.

In its international property report, Richard Ellis notes that rents in the Paris office market vary greatly. In the central and western business sectors of the capital rents range from FFr 1,300 per sq metre a year to FFr 1,700 per sq metre a year.

But the best Parisian sites like the Champs Elysées or the Place Vendôme currently command rents of more than FFr 1,800 per sq metre a year and can go as high as FFr 2,200 per sq metre a year.

Richard Ellis also noted that the western suburbs and the modern La Défence business district have benefited from the situation in central Paris with rents in Neuilly now ranging between FFr 1,000 and FFr 1,200 per sq metre a year and averaging FFr 900 per sq metre a year at La Défense.

The new towns around Paris are continuing to develop slowly but steadily, says Richard Ellis, as a result of the planning restrictions in the capital and encouragement from the Government. The industrial and warehouse market, however, is still toiling under the current economic recession in France.

The recession and France's continuing programme of economic austerity is still ravaging the construction industry and prolonging—in some cases worsening—the virtual halt in new building which began more than four years ago well before the Socialists came to power. This stagnation of new development has had a dire impact on the construction business.

Some important French construction concerns have faced increasing liquidity problems with some teetering on the brink of bankruptcy has caused considerable anxiety to the Government.

The French building industry's statistics show that domestic construction activity last year fell 4.7 per cent after slipping by 4.2 per cent in 1982. For the current year, the industry expects another fall of around 4.1 per cent.

The French Government is trying to stimulate development by a combination of new financial aids and the encouragement of some large urban schemes, especially in Paris. Through a special levy on petrol sales it is also raising about FFr 10bn for a fund to help to finance large building projects.

Apart from coming to the rescue of a sector in deep trouble, the Government is also hoping that some of these projects will provide a little relief on the employment front.

Unemployment in France is continuing to rise this year and is expected to exceed 2.5m by the end of the year.

## France

PAUL BETTS

# Prime areas like Frankfurt could prove pacesetters . . .

## W. Germany

JOHN DAVIES

FROM THE window of his 21st-floor office in Frankfurt, Mr Stephen Cotton has a sweeping view of the city. Before his eyes has grown one office block which gives some cause for satisfaction—the Bürohaus an der Alten Oper, where available space has been let at top rates.

Mr Cotton, a partner in the West German offices of Jones Lang Wootton, the UK real estate group, voices what might best be described as cautious and discriminating confidence about the German property market.

He is quick to stress the dispersed nature of the market—in a country famous for decentralisation—and points to the need to focus on prime areas within the main cities.

Weatherall Green and Smith, another UK concern active in West Germany, is also discriminating in its approach. Summing up trends in a recent fairly sober report, it described 1983 as a difficult year for the West German property market but suggested that 1984 might prove to be easier.

In Frankfurt, with its host of banks, office rentals have risen in prime sites in recent years.

A rental of DM 35 per sq metre per month appears to have become established for prime space in the banking area of the city. This compares with a level of DM 30 a few years ago and around DM 26 or so in the mid-1970s.

In contrast to Frankfurt, prime office rentals in other major centres such as Düsseldorf, Hamburg, Munich and Stuttgart are in general at or below DM 30.

The DM 35 prime rental in Frankfurt was attained, for example, in the letting of available space in the Bürohaus an der Alten Oper. An exceptional rental, in excess of DM 45, was agreed for the penthouse floor, where space is to be taken for the American Express Consul Club.

### Talking point

The spectre of over-supply remains a talking point in cities such as Frankfurt and Düsseldorf, but in Frankfurt in particular it is generally seen as more of a problem in peripheral areas.

"Frankfurt had significant over-supply of offices in the early to mid-1970s," says Mr Cotton, who is a veteran of the German and Belgian property markets and has also advised Kuwaiti investment interests. "There was far too much built and far too little demand. There was general depression everywhere.

"It has been taken up gradually, accelerating in 1979, 1980 and 1981. There was a big take-up in those years. Now it is fairly slow, but the central city area, particularly the banking district and the West End, is very limited."

Mr Cotton foresees a dearth of office space in the prime banking area of Frankfurt. "There is very strong demand and very little space that is available now," he says.

"Certain organisations, such as banks and service firms of lawyers, accountants and tax advisers, have to wait for the next stock of buildings. If they were not so location-conscious, they could go outside the centre and find the space they require. But the greatest demand and concentration at present is for this prime banking district.

"These people who are looking for space are having to shelve their plans for a couple of years, which points to the possibility of pre-lets on those very few development schemes that are at present under study in this central area."

Frankfurt's central banking district is steadily expanding and can perhaps be taken to include the stretch of Mainzer Landstrasse from the rebuilt Alte Oper towards the Platz der Republik, where a major construction project is under way for the Deutsche Genossenschaftsbank group.

*Along this stretch* an old AEG building has also been pulled down to make way for an office development being handled by Jones Lang Wootton on behalf of a Netherlands company.

The West End of Frankfurt—once the scene of student demonstrations and of squatters' attempts to save old residential buildings—is steadily becoming a more commercially developed area, though with some residential property.

The centre of property controversy these days, however, is the "red light" area in front of the main railway station, a garish array of sex clubs, peep-shows and similar establishments. Proposals by city authorities to move them elsewhere could release sites for other major projects.

### Computer centre

Beyond the centre of Frankfurt lie the peripheral office concentrations of Eschborn and Niederrad, where over-supply of space remains a problem. Niederrad, which houses some computer companies, has the advantage of being located between the city and the airport.

While good office space may command upwards from DM24 in the West End, Niederrad rates may range between DM18 and DM22, with Eschborn rentals perhaps between DM15 and DM20.

Hamburg has seen a modest improvement in office rentals over the past 12 *months or so*, while Düsseldorf, with a lot of new accommodation expected to come on the market in the next few years, has shown little rental movement.

In Stuttgart, with its relatively strong industrial economy, the office market has remained healthy. Munich has experienced a revival of rental values even though there has been much new development.

### Industrial demand

In the industrial property market, Weatherall *Green and* Smith has noted signs of tenant demand, as the West German economy has begun to pick up. Demand has come in particular from the electronics and computer industry and from haulage companies.

But a lot of older accommodation has long been vacant, with market values often falling *well below costs of construction* or of acquisition.

The retail rental market has shown encouraging signs in the major cities. Foreign retail chains, including U.S. fast food groups and UK, French and Italian fashion houses, have been taking sites in some prime areas.

On the property investment front, West Germany is widely regarded abroad as a relatively unexciting but consistent and solid performer if prime locations are chosen. But investors seeking a high yield and fast return are apt to be more attracted to the U.S. or some Far Eastern markets.

Yields in West Germany are generally lower than those in France or Belgium and perhaps on a par with UK yields.

"We advise our investing clients at the moment to concentrate on prime office or shop property in major cities," says Mr Cotton. "We recommend they concentrate on Frankfurt, Hamburg, Düsseldorf, Stuttgart and Munich and on prime sites."

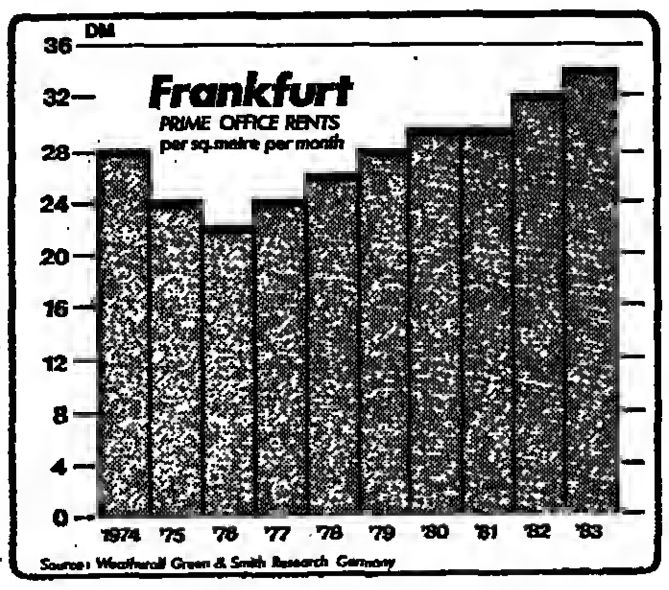
West German property investors—notably insurance companies and property funds—have been putting more money into the market in the last 18 months or so. Open-ended property funds have attracted increased deposits as investors found that the rate of return on other avenues of investment had declined.

The strength of the investment market has given some owners the chance to dispose of property with limited potential, as Mr Chris Bull-Diamond points out in Weatherall Green and Smith's recent report on Germany. This enabled "prudent" owners to maintain the attractiveness of their portfolios, he says.

Weatherall Green and Smith also sees an increasing awareness of the need for "active management polices" if tenants are to be kept in the face of new competitive accommodation in West Germany.

"Property management internationally has in recent years moved from the basic concept of rent collection and repair to a very much more sophisticated *and professional level*, aimed at maximising the potential of each property," the firm says.

"In the past West Germany has had no property profession capable of giving overall advice, and although lawyers, tax advisers and others may give excellent counsel on individual matters their advice tends to be specific and has little regard to its effect on the investment as a whole."




Central area of Hamburg—office lettings show "remarkable strength"

# ...given continued economic upturn

RWI, one of West Germany's biggest property investment companies, forecast an upturn in the country's economy back in late 1982. It has seen the recovery take hold earlier and more *strongly* than expected.

Not only that, says Dr Oscar Kienzle, managing director of RWI, "but also more importantly people have now started to believe that this is not a mere transitory situation." Forecasts of GNP growth and inflation of around 2½ per cent and between 3 and 4 per cent respectively back up what is a generally *promising* economic outlook.

RWI has seen this reflected in property, particularly in the investment and development *markets, which it describes* as "active." Open-ended funds have been very aggressive in the purchase of prime properties and have helped push up values in certain sector of the investment market.

The company also notes a slight strengthening of interest from overseas institutional investors compared with the previous two years when the "stronger attractions" of the U.S. real estate market drew foreign institutional buyers away from the Continent.

### Notable sales

In overall terms, says RWI, British investors appear to have made a withdrawal last year when there were notable sales by UK funds in Hamburg and Stuttgart. "The Middle Eastern *institutional investors appear* to have lost interest, says Dr Kienzle, "though smaller investors from the Gulf continue to play an active part."

RWI *estimates investment* yields in the order of 5 per cent for prime retail or mixed retail and office buildings, 5 to 5½ per cent for prime office buildings, and 5¾ to 6¼ per cent for other central locations. "Yields of 7½ to 9 per cent are required to purchase modern and well-located warehouse and industrial properties," says the company.

The German property company puts Hamburg at the top of its list, with "remarkable strength" in the office letting market. "There remain very few sites to be built," says RWI, "and the strong planning and conservation policy has imposed restrictions on the total supply of offices in the Hamburg market."

If offices are the major talking point, retail property was the top performer as an investment. Competition has been reported very strong for any available prime unit in every major city, forcing up rents and the premiums outgoing tenants could command.

RWI does not quite go along with all of this. It has its reservations in Dusseldorf where, it says, "it remains to be seen what effect the projected shopping centre development of the Kö Centre (scheduled for completion in 1986) will have on prime rents in the *midterm*."

Of Cologne it says: "The previously excellent retail property market seems to have lost some of its sparkle, with an *increasing* number of *sex* shops, gaming halls and fast food shops opening in the previously prime pitches of Schildergasse and Hohe Strass" — and ironic comparison, this, with Frankfurt, where there are plans to clean up the red light area near the Hauptbanhoff to make more space for prime shopping.

On the outlook Dr Kienzle is confident: "The prospects for the property market have become considerably stronger and we might well be back to the *times* when the German property market, between 1971 and 1981, in real terms outperformed every market in Europe and even North America."

**William Cochrane**

# Recession has left its mark

## The Netherlands

WALTER ELLIS

TRADITIONALLY, taking the long view is associated with wisdom of the mellow kind. In the Dutch property market it is the short cut to success. Those who hope for quick profits do still turn up trumps from time to time. Indeed there have been several examples in the past year of prestige blocks changing hands more than once in a single day, with middlemen making substantial sums along the way. But such mercurial goings-on are rare. The norm is far less dramatic.

Unfortunately, for those whose business is speculation, rapid turnover is main goal. Buildings that do not appreciate in value in the manner of flowers opening up in speeded-up film are not appreciated at all. They are in fact the wallflowers of property.

Property prices in the Netherlands peaked around 1979-80. The Dutch economy, kept aloft by natural gas, survived the first Opec oil shock pretty well intact and the fallout from the second blast arrived later than in the U.S. and in most of Europe. But when the shock wave did arrive it did so with a vengeance. Losses of as much as 40 per cent were being reported by 1981 and mortgage rates soared to 13.5 per cent, far above the peak level of inflation. Mortgage banks and other lending institutions were under pressure from high interest rates generally and from the requirement to hold down borrowings.

Matters were made worse by the desire of many home-owners to sell up and thus avoid what they felt were punitive levels of repayment. Controlled rents in the expansive Dutch public sector meant that those who managed to find municipal accommodation could afford to live rather better than was possible in homes of their own. Thus it was thought better to take losses early and retreat to the bosom of the state than risk greater losses later and the chance of no alternative.

In the office market the problem remains one of over-supply, especially in Amsterdam and The Hague. Utrecht has fared much better, partly because of its situation at the heart of Dutch rail and road communications but also because it was starting, as it were, from the ground up.

In Amsterdam, the once-proud Kalverstraat has become ever so slightly seedy, with bargain stores and fast-food outlets replacing the prestige shops of former times. There are still some fine businesses on the Kalverstraat but the focus of much of Amsterdam shopping has moved elsewhere — either to individual shops in lesser streets or to the suburban shopping malls.

The same pattern is repeated in the office sector. Even the great Dutch banks are ebbing out of the downtown area, with Amsterdam-Rotterdam Bank and the Nederlandsche Middenstandsbank both moving out to the obscurity of the Bijlmermeer, a 1960s development of unsurpassed ugliness to the south east.

Amstelveen, a large and flourishing municipality immediately to the south of Amsterdam, is meanwhile continuing to flourish, as seekers after the good-life, U.S.-style, demand more open space and gardens, with places of work nearby. Moreover, as the capital's suburbs and satellites pull white-collar and light manufacturing jobs increasingly unto themselves, Amsterdam itself is in danger. Even the splendid merchants' houses along the canal banks are slowly being deserted by business, leaving hundreds of potential homes behind but at prices few can afford. The problem is being tackled and there are pockets of downtown resistance. Centrifugal force, however, is difficult to resist.

The Hague—a gracious city, albeit without the glories of Amsterdam—has more in its favour. The seat of Government, home of Parliament and of the Dutch Royal Family, it is very much the smart place to live and its densely wooded suburbs, replete with mini-chateaux, are vivid testimony to its success. Here too, however, over-supply in the office market has created difficulties for the property industry.

More generally, the rash of company bankruptcies in recent years has meant a glut of small and medium-sized commercial properties, while the continuing slump in house prices has provided little relief on the homes front.

Yet all is not gloom. It has been said before—and no doubt will be said again by anxious dealers—but the worst does now appear to be over. The Dutch economy is on the move again and confidence is just beginning to show signs of a recovery. Mortgage rates are currently much more tolerable than two years ago. The Economic Institute for Small and Medium-sized Businesses disclosed this month that a strong growth in exports recently had produced a knock-on effect in construction. If demand for new buildings is on the increase, there must be hope for overall property.

The second half of this year is expected to provide the evidence of recovery, with prices firmer and demand on the mend. But five years of recession are bound to leave their mark and it will be quite some time before even those perennial optimists, the estate agents, can truly point to the return of happy days.

Property financing during the past 12 months has suffered badly from the property implosion. Westland-Utrecht Hypotheekbank, the largest purpose-built Dutch mortgage bank, was obliged this spring to reduce its property portfolio by Fl 800m and its property financing by Fl 16m. A clutch of ventures was sold off to Nationale Nederlanden, the number one Dutch insurer, which, along with ABP, the pension fund giant, had already launched the lifeboat twice before.

Today, though, the slimmed-down Westland-Utrecht is beginning to bounce back and is once more a force in the mortgage bonds market. Buyers are creeping back to the market too and prices, while remaining far below their old levels, are at least advancing.

Amfas, the fifth largest insurance group, is another venture with a sick property division that has been rescued by Nat-Ned. Amfas lost Fl 65m in 1982 and 1983, with much of the problem stemming from a bloated property portfolio. Elsewhere even mighty ABP, the civil service pension fund, with assets in excess of Fl 100bn, has felt the draught. In its case, however, an apparent anxiety to do well in spite of everything led to several unwise dealings. The Public Prosecutors' office stepped in and there have been two prominent dismissals. ABP is lying low for a while.

Many individuals in the Netherlands have suffered from the collapse in the property market in recent years and mortgage banks have endured one of the worst periods in their history. But those who could afford to sit back and wait, even when the wait has proved a long one, stand to gain in the future. The recovery today is fitful and perhaps less obvious than it seems to the estate agents whose business depends on it. What matters is that it is there. It is beginning. Patience may yet claim its reward.

# Revival underway but uneven

**MOST PROPERTY markets in the United States are now showing signs of recovery, on the back of the country's recent strong economic performance.**

Absorption of most types of floorspace is rising rather than falling, rents in some centres are again starting to grow and investment interest seems increasingly strong.

## United States

MICHAEL CASSELL

But the improvement, which first began to show itself last year and has gathered momentum in the first half of 1984, is not yet evenly spread. While New York looks buoyant, Chicago is still shrugging off a damaging space surplus. While Los Angeles gathers steam, Houston is hardly back on the rails.

In the past, fairly uniform conditions prevailed throughout most of the major U.S. property centres. But during the last recession and in the current revival market performances have differed widely. With general prospects now quickly improving, the process of recovery will vary between locations.

Local experiences have depended not just on the state of the respective regional economy but also on the extent to which developers and investors allowed themselves to lose touch with the market. Severe over-building will prolong the revival in several major cities, while the prospects for rapid space shortages and rising rents are already apparent in some other centres.

Generalisations are risky in any analysis of a property market which embraces no fewer than 35 urban areas with a population exceeding 1m, but the overall view is that the U.S. office market has become much more competitive in the last few months.

Tenant interest has recently shown clear signs of improvement, although higher letting activity has generally failed to provoke any widespread increases in rents. But, in an important step on the road to recovery, many of the huge concessions available for occupiers have been reduced or withdrawn altogether.

In its latest review of the U.S. market, Jones Lang Wootton highlights the decline of rental concessions: "This is a change from the position only a year or so ago, when there was a tenant's market for leasing deals.

### Concessions

"Base rents held steady, but in many markets there was effectively a fall of 15-25 per cent in the total rent as a result of concessions offered to tenants, such as several months free from rent and reductions in expense escalation clauses."

Jones Lang Wootton says the U.S. market's recent bout of ill-health is not hard to understand. Demand for office space at the start of the 1980s was up to 20 per cent above the historic average and the real estate industry responded with a burst of new construction.

By the end of 1982, however, the picture had changed: while demand softened, the volume of new office space becoming available represented a big increase on the average previously recorded.

Although demand for office space rose last year — with major U.S. corporations, financial services groups and insurance companies taking the lead —the stock of empty floorspace remained high, supported by the new accommodation completed and put on the market.

By the end of last year the national office vacancy rate stood at about 11 per cent.

Coldwell Banker, the U.S. real estate brokers, support the view that office markets are perking up and believes that the present oversupply will be alleviated in most major centres without widespread problems. The brokers make the point that the oversupply was created more by excessive construction than lower levels of absorption.

According to Coldwell Banker, speculative office completions during 1983 pushed another 45m sq ft of floorspace on to the nation's major downtown office markets. When combined with the 84m sq ft of space to let completed in the previous two years, the U.S. inventory of downtown office space grew by 26 per cent in the preceding four-year period.

While most downtown centres now have vacancy rates well above the normally accepted 5 per cent level, there are several notable exceptions. In downtown Boston and downtown Manhattan there are vacancy levels below the 5 per cent norm, while centres such as Cincinnati, midtown Manhattan, San Francisco and Minneapolis St Paul have been running only marginally above.

At the other end of the scale, cities like Houston, Denver and Phoenix were until recently returning vacancy levels of over 30 per cent.

Coldwell Banker reckons that demand for office space, rising in the first half of the year, will continue to do so throughout the remainder of 1984. But with new building completions helping to maintain high vacancy levels, the brokers see rental rates in most cities staying flat or achieving only marginal increases.

In strong centres, such as New York, Boston, Philadelphia, San Francisco and Los Angeles, rent rises could reach 10 per cent.

The steadily improving outlook extends to the retail property sector, where the increase in consumer spending helped bring the U.S. recession to an end. Vacancy rates in regional shopping malls and major urban retailing centres have gradually declined over recent months, although rentals have generally remained stable.

Not surprisingly, the industrial property sector came under pressure at a time when the economy was looking weak. But the national vacancy rate for industrial accommodation has not risen much above 5 per cent since the start of 1982 and demand for space has been steadily improving since last year.

Jones Lang Wootton says that rents in most locations across the U.S. have actually risen over the past 12 months, with high-technology, warehousing and distribution properties recording the largest gains.

At a time when it is becoming increasingly difficult to define modern industrial property and relate it to the traditional image of factory space, JLW estimates that almost 40 per cent of the space provided in new industrial parks is designated for office use, compared with only 15 per cent in the late 1970s.

More and more U.S. companies are now locating their executive and administrative offices close to their factories and distribution centres.

### Marked increase

According to JLW, there are 146m sq ft of warehousing and distribution space and just over 108m sq ft of industrial-manufacturing accommodation under construction in the U.S. —a marked increase on the levels recorded over the past four years.

Coldwell Banker expects rental increases of between 10 per cent and 15 per cent for "hightech" accommodation this year, with warehousing rents in some locations rising by up to 20 per cent in the strongest markets.

Taking the real estate investment market overall, the economic revival has re-awakened investment interest in many types of property. With the institutions, the savings and loan associations and the syndicators all showing renewed enthusiasm for the sector, the supply of product—rather than finance—would appear to be the main imponderable.

According to Julien Studley, the nationwide brokers, potential investors will be hard-pressed to locate prime buying opportunities and to beat the competition to the door. As to prime office investments, the brokers say that such formerly common yields as 7-8 per cent have vanished and, in many cases, immediate returns are non-existent.

Studley says that new development, along with some types of secondary property, still offer good opportunities for foreign investors, though the brokers emphasise that the successful foreign investor has rarely managed to do it from a distance.

In Manhattan, about eight British quoted companies are currently involved in real estate development projects and all would agree on the need for senior management to be on the spot.

# Supply and demand roughly in balance

## Belgium

PAUL CHEESERIGHT

CONFIDENCE has crept back into the Brussels commercial property market and, with supply and demand roughly in balance, the dog days of the mid-1970s linger only as a bad memory.

The main criterion used by estate agents for the office market is the vacancy rate and the major companies now agree that this has fallen to 4 per cent from about 7 per cent two years ago. Mr David Bouch, the investment partner at Jones Lang Wootton in Brussels, noted that this was low.

A couple of years ago 7 per cent was quite normal in Europe, he said. Now the 4 per cent needs to be compared with the two extremes of Houston, Texas, with 24 per cent and Tokyo with 0.2 per cent.

In international terms Brussels is the only Belgian market of significance. The take-up of office space in Antwerp is only 30 per cent of that in Brussels, according to Mr Jean Claude Vandecauter, the managing partner of Knight Frank and Rutley in Brussels.

The market in Antwerp is in any case much more directed towards the port and light industrial property, he added. The latter is active but if two large office blocks were built in the city that could create over-supply for some time.

By contrast, there is at present little activity of any type in Liege, the main industrial town of southern Belgium. But the decision to set up the headquarters of the Walloon regional executive in Namur has created some market interest there.

In Brussels a two-tier market has effectively developed for office accommodation. There is now a real shortage of medium and large properties, but for those seeking small office space of, say, around 200 metres, then there is space available.

Since 20,000 sq metres of space was let at the Manhattan Central, in the middle of the city, there has been very little property available over 10,000 sq metres.

This position might change if older properties become available for refurbishment but the general economic climate is sufficient to deter developers from willingly meeting the heavy costs involved. That in turn depends on the likely returns.

Certainly rents have been edging higher. "After all the years of tremendous over-supply, the bottom of the pit was touched in 1977," said Mr Bauch. "In the last two years, there has been a 10-15 per cent annual rental growth a year." This growth is partly a catch-up for the static period.

But major new developments are few and far between and this is a likely reason for further rent increases. "It is predicted that contracted rents, when increasing, will do so significantly and will for the first time in 10 years exceed the curve of existing indexed rents," said Mr Vandecauter.

### Negotiated price

For prime office space in large units, rents have reached BFr 4,000 a sq metre and in isolated contracts there have been signings on BFrs 4,500. With buildings built a decade ago and perhaps older there is more chance of negotiating a price because new tenants are examining very closely the facilities available and the shape of the space on offer.

This is not only a question of convenience but also of costs. Service and heating charges, for example, are a significant component of the total package. In the 1970s tenants were sometimes paying BFr 1,000 a sq metre for services but in new efficient buildings this figure is now down to around BFr 600.

It seems ulikely, though, that the supply of new efficient buildings will increase markedly. Although the Belgian Government is anxious to get the construction industry moving again and has announced tax concessions with that end in view, few expect a return to the conditions of the early 1970s when speculative building was at a very high level.

Agents report that while developers might be prepared to clear sites they are not ready to start costruction until they have a buyer in view. At the same time planning permissions are more difficult to come by as the authorities seek to avoid the excesses of 10 years ago. Permissions are now taking two years to come through instead of the three months of 1972.

There is also some doubt as to whether rents are high enough to stimulate more building. It is true that companies like Codic, the Belgian unit of Espley Tyas, and Compagnie Immobiliere Goldberg have in recent years undertaken speculative developments which they have found possible to sell quickly. This has been done against the backgrounds of rent said to be around BFr 3500 a square metre.

But both companies are believed to have succeeded in keeping their costs down only by keeping contractors on a very tight rein.

However, suggested Mr Bouch, where a reasonable price is paid for land and the contractors are able to breathe, then rentals of BFr 5000-6000 are necessary to prompt a revival of interest in speculative building.

Mr Vandecauter points out, moreover, that where a development company has a Belgian operation there are substantial savings to be made by using the tax system to save the payment of value added tax, thereby reducing costs. But this can only be done by selling the building straightaway after completion so that the VAT is paid by the final investor.

In the past, UK developers who have traditionally been active on the Belgian market have tended to construct and then hold on to the building in the hope of capital gain. It is a difference of style.

Notwithstanding the immediate difficulties, investors and developers have started again to look at the office market in the expectation that steady demand will overtake the diminishing supply. Annual turnover has been steady at around 1m-1.5m sq ft.

Perhaps oddly, potential investors have been showing more interest in the office sector of the market than at industrial properties where new constructions in the Brussels area have been let rapidly.

Knight Frank and Rutley have reported top rents of BFr 2,000-3,000 for offices and warehouses on industrial properties and noted that "compared with site and construction costs, the rental levels have been rising even more steadily than those of the office market."

Underneath the figures, however, trends seem to be emerging which revive hopes that Brussels might regain the ground it lost in the late 1970s as a company centre. "Brussels is becoming more attractive because of corporate and individual tax breaks," observed Jones Lang Wootton.



# Shadow of higher interest rates

## Canada

BERNARD SIMON

CANADA's property market is slowly regaining its balance after the punishing blows of the past three years. Parts of downtown Toronto are again dotted by cranes and builders' scaffolding and a number of ambitious new developments are on the drawing boards. In Vancouver some 15 office projects are in various stages of contruction. Even in Calgary, where the residential market is still flooded with foreclosures, a local developer bravely went ahead this month with the first stage of a C$1.1bn housing project designed for completion towards the end of the century.

The problems are by no means over, however. Canada's economic recovery is much less robust than that in the U.S. and a recent rise in interest rates —mortgage rates have crept up by as much as 1.5 percentage points so far this year—has raised doubts on how strong the upturn in the property market will be. Forecasts of 1984 housing starts have steadily been scaled down. Clayton Research Associates of Toronto now estimates that housing starts this year will total 164,000, little changed from the 162,000 achieved in 1983.

Most property experts are still confident that the gradual recovery in the market will not be threatened unless Canadian banks' prime lending rate, at present at 12 per cent moves above 13 to 14 per cent, which seems unlikely at this stage. Mr Chris Davis, president of the commercial division of A. E. LePage, Canada's largest property services company, forecasts "a stable environment" for the next year or so, with the market for developers, the construction industry and brokers remaining strongly competitive.

Thanks to a sharp rise in consumer spending over the past year shopping centres are currently the star performers of the Canadian property market. According to Mr Ira Gluskin, property analyst at Brown, Baldwin and Nisker, a firm of Toronto investment dealers, "the shopping centre business is very good and not about to change."

Rates at suburban shopping malls in Vancouver range between C$25 and C$35 a sq ft and very little space is available. The buoyancy of the market is reflected in several large transactions recently. Daon Development Corporation, the troubled Vancouver-based group, has managed to sell its stake in three big Alberta shopping malls for C$240m, while a Hong Kong investor recently paid C$85m for Lansdown Park, the largest shopping plaza in British Columbia.

### Shopping mall

A number of projects are in the pipeline. Among the largest is a C$200m shopping mall plus concert hall and offices in Downtown Montreal being developed by Cadillac Fairview. One area of expansion is expected to be funfair-type amenities attached to shopping centres. Roller coasters and Ferris wheels are incorporated in the design of a new mall in Edmonton, while a shopping centre in Brampton, Ontario, close to Toronto, will include a large waterslide.

The buoyancy of the shopping centre market, traditionally one of the first beneficiaries of an economic upturn, has not yet filtered through to the office sector. Mr Harry Rannala, property analyst at Merrill Lynch Canada, observes that the office market is "somewhere between a happy medium and a giveaway market."

The brightest spot is Toronto, where Toronto-Dominion Bank is currently adding a fourth tower to the large T-D centre and Bank of Nova Scotia is about to start construction of its new 68-storey head office at a cost of C$300m. Campeau Corp is the developer of the Scotia Plaza project.

Toronto-Dominion is expected to have little trouble finding tenants for its new block. Many

CONTINUED ON NEXT PAGE

# Sober legacy of the market collapse

## Hong Kong

DAVID DODWELL

IN HONG KONG the property market has very little further to fall, according to local property analysts in both the Government and private business.

Some have begun to talk of recovery, but it is likely to take a long time, and it is almost certain that the property slump of the past 18 months will leave the market permanently changed.

Officials in the Hong Kong Government Ratings and Valuation Department report that property developers have recently dug their heels in against further cuts in price. Rather than trim nominal rents, they prefer to offer rent-free periods of up to six months and assistance with fitting out office accommodation.

The department also reports that purchases of prime property have come to a grinding halt since Sir Geoffrey Howe, the Foreign Secretary, confirmed in April that Britain will have no part in the territory's administration after 1997. Hong Kong is about to return to being a rental market.

Two factors are likely to keep Hong Kong's property market in the doldrums for the foreseeable future; political uncertainty about what will happen when Britain's lease on part of the territory runs out in 1997, and still-serious oversupply in the more exclusive and expensive sectors of the residential and commercial market.

Political uncertainty is affecting the market at several levels. Even in the small residential sector, which has remained buoyant throughout the slump of the past 18 months, estate agents report that interest in buying property has vanished.

People with enough savings to make the transition from living in rented accommodation to buying their own home now prefer either to hold back until the political situation becomes clearer or to invest their money elsewhere — particularly in the U.S., where high returns can be expected at present.

Confirmation that the British colonial administration is to be withdrawn after 1997 means that the expatriate population of Hong Kong — which accounts for a large share of the most expensive residential property rentals and much of the most expensive office accommodation in Hong Kong Island's central district — is also more likely to fall than to rise.

Even if absolute levels of demand were not expected to level off in future, serious oversupply, particularly of commercial space, is likely to keep prices low well into 1986.

This point was clearly made by Mr David Patterson, who was until recently head of Swire Properties in Hong Kong. He noted that annual uptake of commercial space in Hong Kong's central area has averaged *400,000 sq ft in recent years.* While the market is likely to tighten slightly this year with just 300,000 sq ft available.

Mr Patterson forecast that the balance of supply and demand will be thrown completely out of equilibrium next year, when about 1.8m sq ft will become available.

This volume of commercial property coming on to the market is due largely to just two developments: Hong Kong Land's Exchange Square, bravely described by the colony's largest property company as "the future hub of Asia's business world," and the controversially expensive Hongkong and Shanghai Banking Corporation headquarters.

It is unlikely that these two buildings will be empty for long, though firm leases for space in Exchange Square have been slow in coming. This is because prospective tenants of Exchange Square are being offered—on what are likely to be very favourable terms — space in a building that will almost certainly be one of the most magnificent in Asia.

As to Hongkong and Shanghai Banking's building, it is almost certain that the bank itself will fill the building (with lifts stopping only at every fifth floor, there is a disincentive for outside concerns to take space.

Bank staff now working in outlying buildings will be moved into the new headquarters building.

The effect of these developments is nonetheless clear. Older or secondary tenants of properties in the central area will face acute problems as their own tenants leave for new offices in Exchange Square or the Hongkong Bank headquarters.

Problems will be aggravated by the fact that the Government, which in the recent past has been a substantial renter of property in the central area, will over the next two years, be moving into new purpose-built accommodation.

Hong Kong Land, which accounts for about 60 per cent of the office space in the central area and has been seriously hit by the property crash, admits to a current vacancy rate of about 8 per cent. The rating and Valuation Department, in its property review for 1984 released early in May, reported that the overall vacancy rate in the central area was 13.2 per cent.

Those companies accounting for the remaining 40 per cent are therefore carrying a much larger vacancy problem, and in the year ahead it can only get worse.

Hong Kong Land, which has more *reasons* than most to talk optimistically, put forward two reasons why the depressive influences of oversupply and political uncertainty might be allayed.

First, industry is still thriving in Hong Kong, with exports up more than 50 per cent in value over the last 12 months. If this strong growth continues many commercial operations are likely to expand, with an inevitable knock-on effect in the property sector.

Second, property prices have reached such a low ebb that Hong Kong is now cheaper than either Tokyo or Singapore as a place for office headquarters.

In a report produced in conjunction with Jones Laing Wootton, Richard Ellis and HK Halifax Associates, Hong Kong Land says that prime office space in the central area now averages HK$ 22.85 per sq ft per month —compared with HK$ 30.78 in Tokyo, HK$ 27.8 in Singapore, HK$ 32.35 in New York and HK$ 47.40 in London.

Since price is likely to be a less important factor in decisions over the establishment of an Asian headquarters office than the question of Hong Kong's political future after 1997, it is unclear whether the force of Hong Kong Land's argument will be strongly felt.

One organisation which has taken a positive move is the Bank of America, which announced on May 15 that it plans to set up a 95,000 sq ft computer centre to handle all data from the northern part of its Asian Division, covering Taiwan, Japan and South Korea.

The computer centre, part of a worldwide International Banking System (IBS) intended to standardise Bank of America's computing procedures across the world, will involve investment of US$60m in Hong Kong alone.

For companies like Hong Kong Land, which came perilously close to collapse when the property slump was at its worst, the prospects are now much *less gloomy. Cash flow* is now financing the interest on its debt, and bank backing has been won for what remains of its development programme. But the list of projects now shelved is long, and it is likely to be 1986 before shareholders can expect a resumption of dividends.

The outlook is less gloomy largely because the market has begun to stabilise. Prices may be between 35 per cent and 50 per cent lower than those prevailing two years ago, but at least they have begun to level off and seem unlikely to tumble further.

Hong Kong's property developers—those that have survived—are now a soberer group of people than they were three years ago. They may have differing views of how the market will develop, but on one thing they are agreed —the giddy speculative days of the late 1970s are unlikely ever to return. Property is no longer a speculator's investment.

# Evidence of increasing stability

## Australia

MICHAEL THOMPSON-NOEL

IF EVER an economy has turned round sharply, it is Australia's. In the past 15 months there has been a firm recovery.

At the start of last year there was drought and recession. The farmers were desperate and industry badly shaken. The currency was weak, investment was sagging, and unemployment rising.

Coinciding with the election 15 months ago of Mr Bob Hawke's Labor Government recovery set in. Drought-breaking rains produced near-record winter crops that have pumped millions into the economy and restored morale in the bush.

Inflation is temporarily curbed and the unions are under control. Profits have recovered, and with finance and banking now substantially deregulated there is a widespread feeling that life under Labor may not be so bad.

The black spots remain unemployment and fixed capital investment. Yet the new optimism has rubbed off on the property market, with leading firms such as Jones Lang and Wootton and Richard Ellis reporting increased sales to investors. Yield rates in almost all sectors—if not in all state capitals—are stronger than they were three or four years ago.

One observer said: "What we're especially seeing is institutional interest for tower-style buildings in city centres, particularly from those with A$30m to A$40m-plus to invest."

In both Sydney and Melbourne, says Richard Ellis, a shortage of high-quality office accommodation is emerging alongside a surplus of poor-quality secoodary space, though the implications cannot properly be evaluated.

At the same time the market bas seldom been more sensitive to *product mix* and location, with quality and financial costs also of the greatest ioterest.

A market of two, three and eveo four tiers is developing in many Australian cities, and the cvaluation of demand for a particular quality of space, in a particular location, will become much more specific. Reliance on historic demand alone is certainly not proving enough in the emerging markets of Perth and Brisbane, for example.

Prime capital business district rents in Sydney, Melbourne, Canberra and Brisbane have continued to climb quite sharply (as they have in Adelaide, to a lesser degree), with newcomers vying for limited space, the trend will probably continue.

Earlier this year both Sydney and Melbourne advaoced their claims to be regarded as fit for development into offshore banking centres, and indeed into major regional financial centres in this part of the world. It may or may not come to anything, but it has whetted appetites and sharpened curiosity in the property market.

There is plenty of building activity, with major projects either under way or planned, such as Lond Luana's Riverside project on the Brisbane waterfront, Sydney's A$340m Grosvenor House project, and the Rialto venture in Melbourne.

But investors and new *arrivals are warned* to be wary of secondary city areas, partly because of the trend towards decentralisation. This is now affecting prospects in North Sydney, for example, where advertising agencies, engineering concerns and resource and exploration companies are either moving out to suburban centres such as Bankstown or Parramatta or contemplating it.

In late 1982, the value of blue-chip office space in the central business area of Sydney was estimated by Jones Long Wootton at about A$320 (US$288) per sq. metre annually, though some rent reviews had seen some city rents agreed at levels as bigh as A$385 per sq. metre annually.

Richard Ellis now says it can be predicted that top-quality space will fetch rents of A$400 per sq. metre annually, though it adds that future annual take-up in central Sydney will need to be at the rate of only 70,000 sq. metres per annum, to mop-up new apace, compared with an average annual take-up of about 126,000 sq. metres over the past decade.

*Melbourne's* office market is currently well-balanced, with prime rents expected to pass the A$300 per sq. metre mark in 1984. In Brisbane, there is an over-supply which is likely to continue into next year. In Perth there is also an over-supply, and prime office rents are unlikely to rise beyond about A$170 per sq. metre annually for some time.

Over the next three years, 120,000 sq. metres of additional office space is due to become available in Perth. On the other hand, the Western Australian capital's annual absorption rate bas been about 45,000 sq. metres annually for the past 14 years.

In Adelaide there has been a lack of speculative development so that supply and demand are balanced. Rents for prime office accommodation there are expected to grow only moderately above the current level of A$125 per sq. metre annually.

In terms of yields, Jooes Lang Wotton's latest estimates for prime cbd space were as follows: Sydney 6.5 to 7.5 per cent; Melbourne the same; Adelaide, 6.5 to 8 per cent; Brisbane 7 to 7.5 per cent; and Perth 6 to 7 per cent. North Sydney was shown at 7 to 8.5 per cent.

On the retail side the next 12 months are likely to see fairly uniform trends and it is generally believed that Australian surburbs are now over-shopped.

On the industrial front, the advance of high technology will provide some of the most interesting developmeots, with computer, electronics aod service companies planning to cluster together on modern estates.

In summary, Richard Ellis says the current mood in the Australian property market is ooe of cautious optimism, even though institutions have generally been seen as net sellers over the past 12 months.

Increasing evidence of atability in the market, Ellis says, is creating interest in prime property, both from institutions and private buyers, with unit trusts the most active purchasers of high-priced property.

Politically and economically there seem to be no problems looming in the short to medium term that will disturb that optimistic view.

# Gloom replaces boom as values stagnate

## Singapore

CHRIS SHERWELL

THREE YEARS ago estate agents, property developers, bankers and investors in Singapore were excited. Property values and rental incomes were rising so fast and so high that it looked blissfully as though Singapore might be catching up —in this field as in others— with its regional rival Hong Kong.

In the past 12 months, by contrast, they have had cause to wonder whether the island state is following the British colony into a property slump. The answer, equally blissfully, is that it probably is not but the immediate outlook is certainly filled with a gloom to match the boom of 1980-81.

All sectors of the market—office, retail, hotel and private residential—face severe oversupply, uncertain demand and thus stagnating values. A cloud of pessimism hangs over the sector and while some estate agents may well see advantages in such a fluid situation, developers and bankers are rightly worried.

The Government's view, however appears ambiguous. A strong property market is a sign of confidence and confidence is at the core of Singapore's remarkable economic success. But prices were getting badly out of line with reality three years ago and the recent decline is probably welcomed as a return to sanity.

Prime Minister Lee Kuan Yew, typically, took a long-term view of the reversal when he commented on it for the first time in his New Year message at the beginning of 1984. Acknowledging the projected oversupply he said that it was "the cyclical pattern of our construction. If the world economy picks up . . . the over-supply may turn into a shortage by the late 1980s."

The scale of the drop in the office space sector can be gauged from the fact that rents in the 43-storey Chartered Bank building, the newest prime location space on the market, began last year at around S$7 per square foot a month and are now down to S$5, a fall of around 30 per cent. About two-thirds of the building is now leased.

According to estate agents Jones Lang Wootton, average rents for office space in Singapore—covering both the central business district and secondary locations—fell by 6 per cent between the last quarter of 1983 and the first quarter of this year alone and this has in turn generated more interest in the rental market.

Certainly the position of the lessee is better than in 1981, when price was the only consideration and it was difficult to fiod any space to rent below S$8 in the central business district. Now there is a choice; moreover, things are *going* to stay that way.

### Bank skyscrapers

This is because there are several major and numerous minor developments in the area coming on the market over the next three years—the product of land sales from previous yeers. The major developments include the new Monetary Authority and Treasury building at one end of the business district and two new bank skyscrapers for Overseas Union Bank and United Overseas Bank at the other.

Total supply of office space by October 1983, according to official figures, was 1.7m sq metres. By 1988 another 715,000 sq metres—a rise of 42 per cent—will become available. According to Jonea Lang Wootton, a total of 1.075m sq metres, some of which is already committed, is actually scheduled for completion between 1984 and 1988.

In this situation it is difficult to see office-based projects like the 37-storey twin-tower Gateway, located just outside the central business district, faring well when they come on to the market in the same period. This could present a problem for the island state's most prestigious developer, Singapore Land, which has a 60 per cent share in the scheme.

Singapore Land is also involved along with local banks in tha massive S$1.2bn Marina Square project, consisting of three botels and the region's largest sbopping mall on reclaimed land at the mouth of the Singapore River, near the central business district. This, *together with the huge Raffles* City project nearby, which consists of a hotel, shopping and office complex, will shortly boost Siogapore's retail and hotel space sopply still further.

*In these sectors, as in* the office space market, the outlook is far from encouraging. The number of hotel rooms in Singapore is projected to be more than doubled by 1987 from the end-1982 figure of 14,100 rooms. But projections of 10 per cent annual growth in tourist numbers to Singapore, on which some of the hotel plans were based, bave not been borne out, with the result that occupancy rates are felling and room rates are being heavily discounted.

A similar sbortage of customers bas afflicted Singapore's retailers. Some of the country's best-known stores are reporting losses, occupancy rates at shopping complexes are falling, tenants who face trouble making a living bave won rent reductions through public proteats and rents in new space are falling regularly. But still more complexes are rising from the ground and official figures project an increase of 473,000 sq metres—almost 70 per cent—in sbopping space in the central area alone between 1983 and 1988.

So serious is the problem of oversupply that questions are being asked about another mammoth development, the Rahardja Centre, located right next to Marina Square and *near* Raffles City. Mr Hendra Rahardja, the Indonesian magnate, bas already won a delay from the Government, apparently to allow technical changes to the plans, but speculation *abounds that* the problems are more serious. Hendra has another four botels going up in Singapore, while a fifth opened earlier this year.

### Punitive tax

The problems of Singapore's botellers and retailers spring partly from the West's recession, which bas hurt tourist arrivals, and to a punitive U.S.$ 150 exit tax on Indonesian residents travelling abroad, whicb bas particulerly damaging because Indonesians bave long found Singapore an attractive place to bank, shop and invest.

On top of this the Singapore dollar has been strengthening against major currencies, making the island state an even less attractive place to atay or sbop —especially for Indonesians whose currency was devalued last year—and enhancing the position of Hong Kong, whose experience bas been the reverse.

But the gloom banging over Singapore's property market bas other and deeper origins. One is the willingness of property developers to climb irrationally on to bandwagons almost regardless of the facts, happily exploiting the proverbial Chinese preference *for* investment in bricks and mortar. Associated with this is the willingness of bankers to lend to such developers. It is no coincidence that the fioancial services sector was the second largest contributor (after constructions) to Singapore's high 7.9 per cent GDP growth last year.

A more significant factor is the role of the Government, and specifically the Urban Redevelopment Authority, the state agency which can acquire land at the prices of a decade ago, offer it at special sales and penalise developers if work goes ahead too slowly.

This official stranglehold over the market distinguishes Singapore from the freer Hong Kong market. But deciding where *responsibility lies for* the present glut is another matter. The URA is said to have overcompensated disastrously for the space shortage of the late 1970s with sales in 1978-80 which dwarfed earlier offerings. But in 1981 and 1982, when the signs of future excess ought already to have been apparent, bids were still strong, suggesting sentiment remained firm. The 1983 sale was simply cancelled.

Developers and bankers now face an awkward choice between pushing projects quickly to completion and stretching the construction period to ride out the glut. The medium-term outlook seems more promising — in 1983, for the first time in years, the value of building projects granted planning approval actually dropped.

But a glance at the city centre is still revealing: 255 hectares of reclaimed land next to the financial district — Marina South — is earmarked for office and residential development. Reclamation work for Marina East, on the other side of Marina Centre's commercial development, is still going ahead. All *this space* is yet to be sold.

# Higher interest rates

CONTINUED FROM PREVIOUS PAGE

of them are likely to be existing tenants in other parts of the *T-D centre eager to expand* or rationalise their space. Similarly, almost all the space in the *almost*-complete 260,000 sq ft Convention Centre office tower has been let. According to A. E. Lepage, "Overall, there are no *reasons for concern.* It appears that this year's absorption will exceed *the new supply,"* estimated at approximately 3m sq ft.

The picture is less rosy in other cities. More than one-fifth of Calgary's office space remains vacant, while *some* 4m sq ft, about 14 per cent of the total, is available in Montreal. Developers are still actively inducing tenants to upgrade accommodation by shaving rentals and offering various perks.

Construction of office blocks has dried up completely in Newfoundland, where business activity is still at a low ebb. Authorities in the province's capital, St John's, have offered to donate land worth C$1m for development of a hotel and convention centre in the city. The Newfoundland Government may make a similar amount available towards construction costs to help get the project off the ground.

None the less, hopes remain high that the clouds will soon break, even in the depressed parts of the country. Mr Gluskin observes that: "If I were an office tenant, I would be saying that this is the low point in rents across the country."

Even in those cities where the office market remains flat vacancy rates are declining and efforts by landlords to shift tenants into prime buildings have concentrated the spare capacity in older, less prestigious locations.

The chances of a shortage of space developing *have* been lessened by the apparent determination of developers not to miss the upswing, which most expect to continue for aeveral more years. Ottawa is a good example. Just as it appeared that the supply of office space in the city centre was drying up, several developers bave begun new projects which are likely to keep rents on an even keel. Marlborough Properties is currently erecting a 14-storey building opposita the Parliament buildings which will add about 187,000 sq ft to available capacity.

Vancouver is one exception to the picture of overall stability. Despite plentiful availability, a apurt of activity has reised office rents to the aecond highest on average in the country and pushed land prices up sharply. Far Eastern investors, mainly from Japan, Singapore and Hong Kong, bave become increasingly active in the West Coast property market. The Lansdowne Park shopping centre is one of several sizeable properties sold to investors from the weatern side of the Pacific in recent months. Others have included office blocks and botels.

Furthermore, constraints on unlimited expansion imposed by topography are likely to keep prices up in the Vancouver area. Mr Davis forecasts that long-term prospects for the Vancouver property market are "very, very positive."

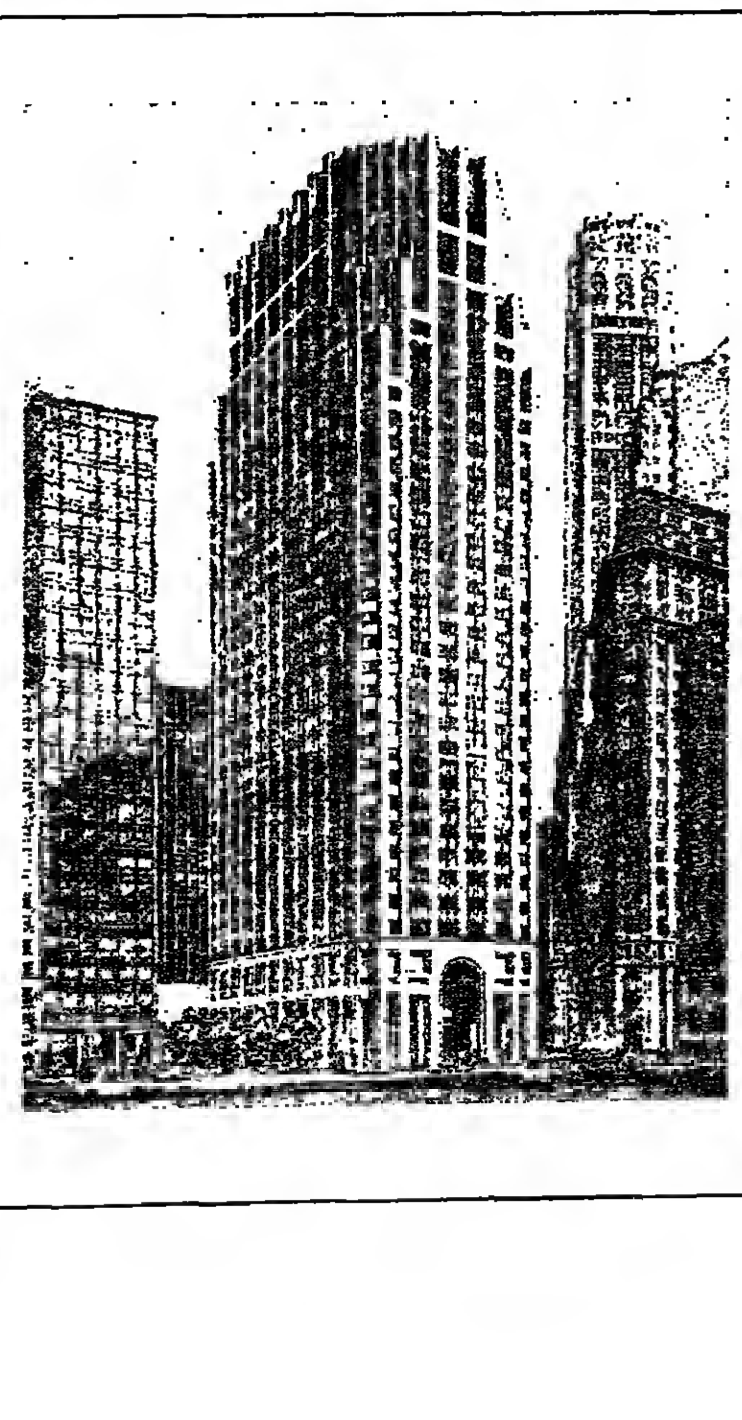
Sucb distant hopes are of little immediate relevance, bowever, to some of Canade's property companies, which are still struggling to pull themselves back from the precipice they have been looking down for the past year or two.

Doan Development recently tied up a debt refinancing package and bas succeeded in aelling off many of its least productive propertiea. The aale of the three Alberta shopping centres will allow it to repay some C$120m of its massive C$1.4bn debt burden.

Some of eastern Canada's large developers have been even more successful in restoring their balance sheets, to the point where several investment analysts are recommending the purcbase of shares in companies such as Trizec, Cadillac Fairview and Campeau.

Campeau and Cadillac Fairview are both getting rid of their residential portfolios. The latter has already sold over three-quarters of the assets of its discontinued operations and bas cut its floating rate debt from C$1.6bn to little more than C$300m. Campeau's sales of housing and land assets, about one-third complete, is likely to continue for another four years.





# THE PROPERTY MARKET

BY MICHAEL CASSELL

## Rents begin to overtake inflation

COMMERCIAL PROPERTY rents in the UK are, for the first time in nearly four years, rising faster than the rate of inflation.

The clearest confirmation yet that the property market is beginning to shrug off the impact of the recession came this week in the shape of the latest Investors Chronicle Hillier Parker rent index.

The index reveals that rental values in the six months up until the start of May grew at their fastest rate for two and a half years. At nearly 7 per cent, average growth was roughly double the rate recorded in the previous six months.

The Jones Lang Wootton Property Index was published during the week and also confirmed a long-awaited improvement in market performance. According to JLW, increased lettings and a more active investment market are now clearly discernable. The index, which records capital growth and income, stands just over 9 per cent higher than a year earlier.

The portfolio — which comprises properties valued at nearly £142m — is currently showing an overall yield of 5.9 per cent

Perhaps the most encouraging conclusion to be drawn from the rent index is that the improvement over the last six months has extended to all types of property in most regions. As has been the case for the last two years, the retail sector has performed best, with rentals responding to the consumer boom and all regions beating, or at least matching, the inflation rate.

But although shop rents recorded the first double-digit growth rate (10.3 per cent) for four years, both office and industrial rents showed faster growth than for some time. With an average, six-month growth rate of 5.8 per cent, the most striking feature of the office market has been the gathering strength of the City of London and the continuing stagnation of the West End. Scotland has also been producing particularly good rental growth rates, with an overall 17.7 per cent increase recorded over the last half-year.

Not surprisingly, the industrial sector continues to lag behind and could only manage a 4.3 per cent growth rate overall during the latest six-month period. Even so, the rise was more than twice the rate achieved in the previous half-year. Only in the south east region, did industrial rents grow faster than the rate of inflation.

Industrial properties in the JLW index portfolio now have a current yield of 9 per cent, which discounts all but very minimal future capital growth. But the agents say that selected buying in anticipation of recovery—especially if values are close to site valne—could he heneficial.

## Takeover plan fails

HERRING SON AND DAW, the London agents and surveyors, have failed in an attempt to take over Gibson Eley, the Reading-based agents, and are opening their own office in the Berkshire town.

The move, designed to improve the partnership's footing in one of its most important markets, follows the collapse of talks between the two firms. The abortive take-over has also led to a split within Gibson Eley, with two of its senior staff leaving to join the new Herring Son and Daw office.

The London agents have, since last autumn, been anxious to step up their presence in Reading as the Thames Valley has been generating a growing volume of office and "high-tech" agency business. A tie-up with Gibson Eley was pursued but Nick Owen, chairman of Herring Son and Daw, says talks failed "at the last hurdle."

Joining the new office will be David Nassif, the Gibson Eley investment partner, and Richard White, an associate partner in charge of the office agency department.

Owen says the plan is to start the Reading operation—the first in the town for a London commercial agent—on July 4. He hopes the date will go down well with the agency's rising number of American clients—though any date is likely to prove unpopular over at the Castle Street offices of Gibson Eley.

## BR property asset sales peak

BRITISH RAIL has good cause to be pleased with the efforts of its property board to generate badly-needed cash from the railway system's redundant or under-used assets. But how long can the bonanza go on?

This week, the board gave itself a hearty slap on the back and announced a record £103m cash contribution to British Rail in 1983.

The latest cash hand-over means the board has injected over £360m into the railways over the last five years. But although the 1984 contribution could peak as high as £120m, the board is well aware that, thereafter, the going will get tougher.

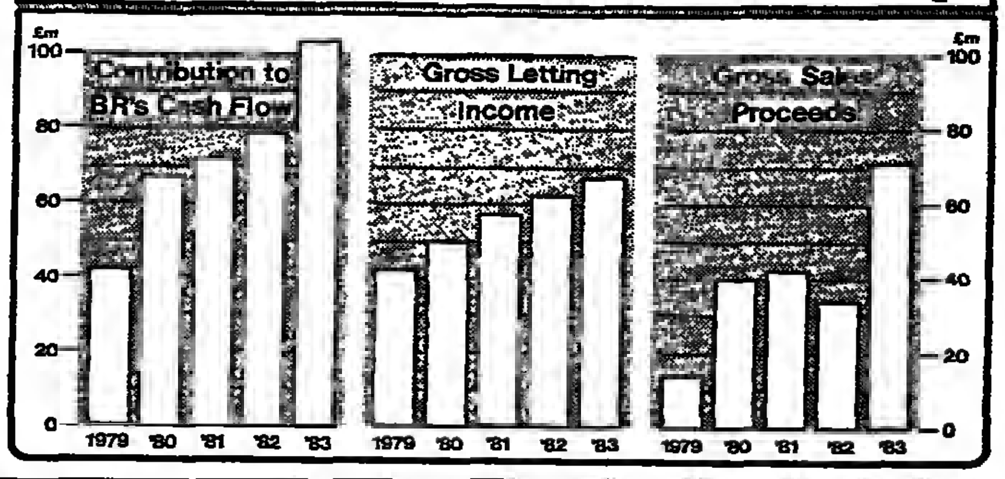
The reason is that the programme of disposals has rapidly depleted the stock of saleable assets. Last year alone, gross proceeds from sales reached £71m—they could be £90m this year—and they were generated not just by disposing of land and property but by disposing of interests in income-generating investments like shopping centres and offices.

During 1983, an unprecedented number of auction sales raised £11m on everything from major properties to line-side cottages. A further 3,000 acres of land were sold off and, by the end of 1983, only about 1,000 miles of the 8,300 miles of unwanted branch lines remained unsold. Even the number of railways houses is down from 32,500 to under 2,000.

Despite the run-down of property assets, the board still managed to raise 1983 gross letting income from £62m to £67m and there is no doubt that new and major joint ventures with the private sector will help maintain and raise future income.

But it is unlikely to compensate for an expected steep decline in revenue from sales. When those sales begin to fall, so will the size of the cheque made out to BR.

BR PROPERTY BOARD PERFORMANCE




## Another fall in farmland investment

INSTITUTIONAL investors own no more than 3 per cent of UK agricultural land, according to a new survey by Savills, the estate agents. They say the net growth in acreage held by the institutions rose by only 4,100 acres last year—bringing it to just over 327,000 acres—the lowest rise in ownership since the mid-1960s.

During 1983, gross income on all agricultural property owned by 299 major institutions rose by 6.5 per cent while capital values rose by just over one per cent.

● Moss Bros is asking Westminster City Council for permission to demolish its store in London's Covent Garden and to replace it with a new 32,000 sq ft shop and 42,000 sq ft of offices.

● A private consortium of UK investment and development companies, represented by Strutt and Parker, paid over $50m for twelve office-research and development buildings at Moffett Park, Sunnyvale, Silicon Valley, California. The price paid reflects yields of between 8½ per cent and 11 per cent.

● Samuel Properties has sold its leasehold interest in the Thistle shopping centre, Stirling, to Standard Life Assurance for £2.1m. Standard Life funded the scheme and leased it to Samuel, which was taking £1.5m a year in rent.

● Hill Samuel Property Management has paid £1.9m (to reflect a net initial yield of 5.6 per cent) for the freehold of 48-62 Broadway, West Ealing, a parade of seven shops. Savills acted for Hill Samuel.

● Lazard Property Unit Trust, represented by Pepper Angliss & Yarwood, has sold an Edinburgh investment to Midland Bank Pension Trust for nearly £6m. The property forms a major part of the Debenhams department store at Princes Street and Rose Street and has a current rental income of £282,000.

● Available floorspace in central London has fallen below 5m sq ft for the first time since September 1982, following a record April take-up of 1.49m sq ft, according to Debenham Tewson & Chinnocks.

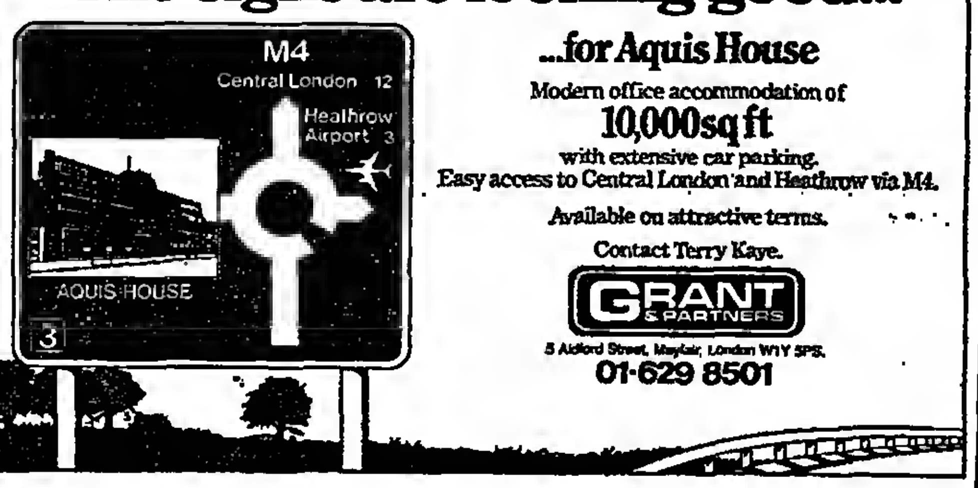
● Orbit Development have paid around £2.25m for the Booth's Distilleries bottling plant in Brentford and is to develop the Brentside Executive Park on the site. Fuller Peiser acted for Booth's and Wright Oliphant acted for Orbit.

● Chesterfield Properties has signed a development partnership agreement with Sheffield City Council to build the 32-acre Waterthorpe shopping centre at Mosborough. Developer's agents for the 350,000 sq ft covered scheme are Goddard & Smith.

● TSB Life has paid £1.1m (showing a net initial yield of 4 per cent) for a prime shop at English Street, Carlisle. TSB, represented by Debenham Tewson & Chinnocks, have made eight property investment purchases in the last year.










## PROPERTY IN THE NORTH-WEST

The Financial Times proposes to publish a Survey on the above
The provisional date and editorial synopsis are set out below
PUBLICATION: FRIDAY 6 JULY 1984
COPY DATE: TUESDAY 26 JUNE 1984

INTRODUCTION Optimism among property developers has been translated into a strengthening market for industrial property in many of the region's prime areas. Nevertheless, the deep marks of recession are visible in remarkably low freehold prices in some locations, even for single storey post-war factories. How has the rate, rent, service charge equation changed? How beneficial have the enterprise zones been and to what extent are they a distorting influence? A look at office accommodation and rent levels.

THE COUNTIES:
a) Lancashire
b) Cheshire
c) Cumbria

THE CONURBATIONS:
a) Merseyside
b) Greater Manchester

AN EXAMINATION OF THE PERFORMANCE of the New Towns — Skelmersdale, Central Lancashire and Warrington-Runcorn. What happens when the development corporations are disbanded?

A NUMBER OF HIGH TECH parks have either been set-up or proposed. A look at what they are designed to achieve.

A GREAT DEAL OF RECLAMATION WORK has been carried out on a strip of Merseyside's dockland. How important is the Albert Docks Scheme and what will happen to the land earmarked for industrial development left in the wake of the International Garden Festival?

For further details please contact:
Tim Kingham on 01-248 0769
or Simon Hicks on 01-248 5115

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

The size, contents and publication dates of all surveys are subject to change at the discretion of the editor

# UK COMPANY NEWS

## Cater Allen rises and calls for £9m

CONSOLIDATED profits of Cater Allen Holdings, discount house, rose from £4.25m to £4.8m over the 12 months ended April 30 1984 after providing for rebate, tax and transfer to reserves for contingencies.

Along with the announcement the company said it was proposing to raise some £9m net, by an underwritten rights issue of up to 2,302,561 new shares at 410p on a one-for-three basis.

A final dividend of 20.875p (19.95p) lifts the net total from 26.95p to 28.875p per £1 share—the new shares will not rank for the final payment.

Operating profits for the year were down from £4.25m to £3.92m before taking in an £885,000 profit on the sale of a lease.

The group's balance sheet at year-end showed assets of £1.44bn (£1.13bn), but it is pointed out that the average life of the assets was "exceptionally short"—more than half the portfolio matured in the first three weeks of May.

The directors say the timing of recent rises in sterling interest rates was fortunate for the company in that it now has the opportunity to reinvest at higher interest rate levels when the moment is right. They add that the doubling of balance sheet totals since 1982 reflects the substantial growth in capital resources since the merger (with Allen Harvey) in 1981.

Although many banks are having to make special provisions for corporation tax deferred in previous years and for possible losses on international loans, Cater has avoided both of these problems.

In March a lengthy negotiation for the re-structuring of the property interests at 1 King William Street and Chetwynd House was completed. The profit on this re-structuring has been shown separately in the profit and loss account.

Margins on bills of exchange were minimal for most of the year, reflecting continuous intervention by the Bank of England through the purchase of bills in a generally bullish market.

Turnover, however, was substantial and good profits were earned. Margins on sterling certificates of deposit were more favourable and turnover was notably strong, representing approximately one-third of total discount market turnover.

The group developed its share of the new market in building society companies at the year-end.

In the gilt-edged market its activity continued to grow and good profits were earned, although less than in the exceptional trading conditions of mid-1982.

The financial futures broking subsidiary, Cater Allen Futures, had a promising year. The group purchased a third seat on LIFFE in October and intends to maintain commitment in this market. It anticipates increased turnover and expects this broking business to be profitable.

Overhead costs for the group were slightly less than in the previous year and should fall again in the current year.

The directors believe there will be opportunities to extend the group's wholesale financial market activities into new areas.

The strategic aims of the group include, initially, a more active involvement in gilt-edged dealing. This would complement its traditional business in short-dated securities and its more recent participation in the financial futures market—the directors have indicated this policy to the Bank of England.

Although the requirements of the relevant authorities are not yet established, they believe it important to be in a position to take advantage of such opportunities as they present themselves. In these circumstances the directors say it is appropriate to approach shareholders to increase the holding company's capital base.

Although the group hopes to become part of the price-making mechanism of the gilt market the directors stress that this will not be done at the expense of profitability.

After appropriations, Cater Allen finished the 1983/84 year with a carry-forward balance of £7.5m (£4.77m).

See Lex

### DIVIDENDS ANNOUNCED

| | Current payment | Date of payment | Corre-sponding div. | Total for year | Total last year |
|---|---|---|---|---|---|
| Bishopsgate Tst 2nd int | 2.3 | — | 2.3 | 3.5 | 3.5 |
| Cater Allen | 20.88 | July 7 | 19.95 | 28.88 | 26.95 |
| Deritend | 3.8 | July 20 | 3.8 | 5 | 5 |
| J. A. Devenish ......int | 2.25 | July 2 | 2.25 | — | 10.25 |
| Extel | 9 | July 27 | 7.5 | 12 | 10 |
| Fine Art | 1.9† | July 4 | 1.9 | 3† | 3 |
| A. Goldberg | 3.96 | July 10 | 3.96 | 5.25 | 5.25 |
| Philip Hill | 8.25 | July 30 | 5.5 | 8.25 | 7.5 |
| Minster Assets | 3.2 | July 2 | 3 | 5 | 4.7 |
| Narborough§ ......int | 0.5 | Aug 15 | 0.32* | — | 0.96* |
| Plessey | 2.24 | Nov 1 | 1.95 | 3.8 | 3.3* |
| Sandhurst Marketing | 1.16 | July 5 | 0.89* | 1.72 | 1.32* |
| Scottish Inv Tst ......int | 1.7 | July 16 | 1.7 | — | 4.7 |
| Sterling Guarantee | 0.68 | July 14 | 0.45 | 1 | 0.7 |
| TR Natural | 4 | July 2 | 3.83 | 7.5 | 7 |
| Weeks Associates | 0.4 | — | 0.7 | 0.4 | 0.7 |
| Wolv & Dudley ......int | 2.55 | July 2 | 2.3 | — | 6.85 |
| Young's Brewery | 3 | — | 2.5 | 5.5 | 4.5 |

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ Gross throughout.

## Wolverhampton & Dudley 8.5% higher at midway

Wolverhampton & Dudley Breweries pushed pre-tax profits 8.5 per cent higher in the six months to March 31 1984 on a 6.5 per cent increase in turnover. This was achieved, the directors explain, by continued full maintenance and selective improvement of the group's existing outlets.

Profits at midway advanced from £5.54m to £6m on sales up from £41.32m to £44.01m and the directors say they are cautiously optimistic the company will again achieve a satisfactory result for the full year.

The net interim dividend is being stepped up from 2.3p to 2.55p.

● **comment**

Plan "B" is going well at Wolverhampton & Dudley. Its attempt to acquire Davenports, which would have significantly increased its trading base and shaken the group free of its Black Country dependence, was thwarted but the somewhat slower process of pub by pub expansion is progressing. New outlets are compensating slippages in its traditional heartland and all in all volume has been held unchanged with Harp larger taking a greater share at the expense of W & D's own ales. W & D's capital spending programme is being maintained around the £8m mark though it is now virtually exclusively aimed at the retail end of the business rather than its breweries — there should be another 14 new pubs by Christmas. The second half has got off to a good start and as the expansion starts paying off, profits should have little difficulty edging over £13½m pre-tax. Assuming a 40 per cent tax charge the earnings multiple drops to 9.3 at 232p which does not look expensive, even if the market favours the nationals at present.

## Fine Art Developments doubles to over £3.3m

SECOND HALF pre-tax profits of Fine Art Developments, the greeting card publisher jumped from £1.86m to £3.2m, leaving the outcome for the year to March 31 1984 slightly more than doubled from £1.66m to £3.36m.

Earnings per 5p share are shown to have risen from 2.72p to 3.991p and the final dividend is 1.9p net for an unchanged total of 3p on increased capital.

On turnover for the 12 months up from £81.1m to £98.16m, operating profits rose from £3.83m to £5.41m. From these interest took £2.09m (£2.2m), while income from investments added £37,000 (£36,000).

The tax charge increased from £49,000 to £935,000 and there were extraordinary debits of £36,000 (£903,000 credits) and minorities of £69,000 (£23,000).

● **comment**

Fine Art is a long way from recapturing its former glories, but it is making a fair start. Mail order — around half of group turnover, before the Selective acquisition—showed some sales growth last year, after a long period of decline. And the Early Learning toy chain—something the group has rather kept under wraps to date—is growing like Topsy, with outlets now totalling around 50 and another 40 scheduled in the course of this year; pre-tax profits have tripled in the past two years, to not far short of £0.5m. Selective is in effect excluded from these figures, but it made £2.1m pre-tax last year, on sales of £16m. The real worry about the group is that the greetings card business should have taken such a hammering in recent years, in what is still, after all, a growth market. Selective, though, has an excellent record, and rounds out the group's coverage of the market. The shares were unchanged yesterday at 65p.

## Sterling Guarantee advances by £7.8m

Sterling Guarantee Trust made further good progress through the second six months to finish the year to March 24 1984 with pre-tax profits £7.79m ahead at £16.46m.

The second six months' contribution totalled £10.97m (£7.05m) and, compared with a forecast total dividend of 0.91p, the company is paying 1p net per 10p share—0.7p was paid for 1982-83.

Total turnover for the past year expanded from £177.21m to £199.06m with the contribution from the service industry division amounting to £151.73m (£133.01m) — the group was formerly known as Town and City Properties.

Pre-tax profits were made up as to £19.14m (£17.29m) net income from the property division, £10.54m (£7.63m adjusted), operating income from the service industry sector and other income £1.49m (£141,000), less interest payable of £14.16m (£15.99m). Employee profit share took £553,000 (£397,000).

Tax accounted for £4.61m (added £865,000) and after minorities of £37,000 (£41,000) attributable profits emerged at £11.81m, compared with £9.61m. Ordinary and preference dividends will absorb £6.21m (£5.51m).

Earnings came through at 2.59p (1.88p) per 10p share and assets per ordinary totalled 65p basic and 49.5p fully diluted (after redemption of Barclays preference shares). Share capital and reserves at March 24 1984 amounted to £269.27m (£246.76m).

Sterling Guarantee is understood to have increased its share stake in P & O from 3 per cent to 4 per cent, but Mr Jeffrey Sterling, the chairman, yesterday declined to comment on whether his group intended to add further to its holding—he is also chairman of the shipping company.

● **comment**

It is a reflection on the market and not on Sterling that pre-tax profits which beat some estimates by £2m and more failed to stop the shares falling 1p to 49p. The property business which has been so carefully nursed back to health over the years looks rosier still as rent reviews benefit from the uplift in retail property which forms so much of the portfolio. The service division made more spectacular progress with a 38 per cent increase in operating income stemming both from economic recovery and better margins. Overall, the improving balance sheet, with net debt down by about £20m to just under £120m, now provides the backing for Mr Sterling's plans for possible acquisitions, which may or may not involve P & O. With perhaps £21m pre-tax on the cards this year, the shares look fully valued as the discount against net asset value per share (49.5p fully diluted) has been eliminated.

## No change so far at Martin: interim passed

Martin the Newsagent, which is subject to an agreed bid from Arthur Guinness and Sons, yesterday reported virtually unchanged first half profits and, as part of the deal with Guinness, omitted its interim dividend.

Guinness and its financial adviser Morgan Grenfell have bought or received irrevocable undertakings in respect of 3.91m Martin shares or 29.8 per cent of the company.

In the six months ended April 1 1984, Martin had pre-tax profit of £2.91m against £2.86m in the previous first half. Turnover rose from £74.66m to £77.39m.

Tax, based on an estimated rate for the full year of 38 per cent, was calculated at £1.1m compared with £744,000 last year, and Martin also had extraordinary credits of £465,000 (£150,000) from the sale of fixed assets.

Last year, Martin paid an interim dividend of 2.4p.

The formal document relating to the deal has been posted to shareholders and contains notice of an EGM to be held on June 18, at which a special resolution will be proposed to give effect to a reorganisation of Martin's ordinary share capital. First closing date for the offers will be June 14.

The Guinness offer document showed that it bought 100,000 Martin shares before Martin received an approach from W. H. Smith. The Stock Exchange is investigating the run-up in Martin's share price before the W. H. Smith bid.

Guinness bought 25,000 shares at 145p on April 10. A few days later, the share price began to rise and on April 25 Guinness bought 25,000 at 190p and 50,000 shares at 197p.

On April 26, Martin said in response to Stock Exchange inquiries that it was unaware of any reason for the rise, and later on the same day it received a private approach from W. H. Smith which eventually became a public bid on May 2. Guinness put in its bid on May 17.

## Scottish Inv.Tst.

Net asset value per 25p share of the Scottish Investment Trust rose from 270p to 304.9p in the six months ended April 30 1984. Net revenue fo rthe first half was little changed at £1.8m, compared with £1.77m, after interest, expenses, and tax which rose from £1.23m to £1.34m.

The net interim dividend is a same-again 1.7p.

## Sandhurst Marketing up to £1.24m and pays 1.72p

SECOND HALF pre-tax profits of £688,000 against £546,000 at Sandhurst Marketing lifted the outcome for the year to January 31, 1984 from £901,000 to £1.24m and the dividend total is being effectively increased from 1.322p to 1.715p with a final payment of 1.16p net. A one-for-one scrip issue is also proposed.

Turnover for the 12 months expanded from £14.77m to £18.63m and the tax charge was £413,000 (£305,000) for earnings of 8.04p (5.8p) per 10p share. There was an extraordinary debit of £466,000 this time, being £100,000 in respect of the cost of a preference share issue and a £366,000 provision for deferred tax.

It is proposed to place new shares in the company's subsidiary Spectra Automotive and Engineering Products on the USM in the very near future.

Following the placing, Spectra will continue to be a group subsidiary.

The directors say obtaining a separate quotation will give Spectra further flexibility to expand its business and will assist it in taking advantage of the increasing market for its products.

The recent acquisition of the business of Dynaglaze with its range of car polishes, has been a significant step for Spectra and the directors say they view the future of Spectra with confidence.

They report that the group's two "lame ducks" of last year, William Johnson and Sons (London) and the furniture division have both turned the corner: William Johnson with a turnround of some £155,000, bringing it into profit.

Mr B. D. Hulme, chairman, says he is still confident that the group is going to be one of the largest stationery and office equipment suppliers in the UK.

● **comment**

Sandhurst Marketing appears to be firing on all cylinders at present. Gearing was virtually halved by the January rights issue to 81 per cent at the year end. It will drop further after next week's planned flotation of its automotive and engineering products subsidiary Spectra, on the USM. The acquisitions of Channel Business Systems and Office Requirements significantly expands the business systems side of the group. Stationery sales, the area where Sandhurst began, now accounts for just 28 per cent of profits. Sandhurst has always aimed to develop a vertical market in office supplies from paper to computers and is developing a particular specialism in retailing systems. The company is calling a halt to further acquisitions for the present to have time to integrate the business systems division fully. It is achieving an overall return on assets employed of 30 per cent. Trading profit in the first quarter of the current year is up 31 per cent on last year. The Spectra flotation should add around £200,000 to current year profits which should comfortably pass the £2m mark. The shares rose 6p to 158p where they sell on a prospective p/e of 11.9. They should go higher.

## Comfort Hotels to raise £7.8m

Comfort Hotels International is asking shareholders for £7.8m (£7.5m after expenses) through a rights issue of convertible unsecured loan stock, to help finance the group's rapid expansion. Initially the money raised will be used to reduce bank borrowings. Then it will finance working capital requirements and will be available for Comfort to take advantage of any deals that may arise.

Holders are being offered £1 nominal of loan stock at par for every eight shares held. The loan stock is dated 1997-2001, and carries a 7½ per cent coupon. It will be convertible during September of the years 1987 to 1997 at the rate of 196 ordinary shares for each £100 nominal of the stock, equivalent to 51p per share.

The issue is subject to approval at an EGM to be held on June 11, and if that is successful the final acceptance date will be July 3.

Comfort has not made a forecast of profits or dividends, though it is expected that the progress made in 1983 will be continued in 1984, with contributions from the acquisitions.

● **comment**

A high level of bank borrowings has nearly always been a feature of Comfort's accounts, and hefty interest charges have held back profits growth. In 1982 the interest bill was £2.5m compared with pre-tax profits of £1m. The position improved in 1983, with interest paid down to £1.9m and profits up to £2.4m. Though the rights issue will cut the interest bill somewhat, its attraction is in replacing debts subject to variable rates with fixed, currently cheap, loan stock. Comfort seems to get through cash at a fast rate. Hotel sales in 1983, part of Comfort's move up-market, raised £6.9m. But at the year end debt was little lower than it had been at the beginning. Comfort has no new purchases in the pipeline now, but the management is actively looking for more hotels. This is, though, the first time Comfort has come to shareholders for money, and it coincides with what should be a good year for the group, given the large number of tourists now in London, Comfort's main market. The shares stood up well yesterday to the news, falling only ½p to 46p.

## Portsmouth Water £2m tender offer

Portsmouth Water Company is the first to test the market for demand for water company preference stock after the Budget changes which substantially reduced the traditional attractions for franked investment income.

Brokers Seymour Pierce are offering £2m of Portsmouth 7.75 per cent redeemable preference stock 1987 by way of tender at a minimum price of £99.5 per cent. At that level the fully grossed up franked income yield is 12.8 per cent and the conventional yield is 11.12 per cent.

A deposit of £10 per £100 nominal of stock should accompany tenders which must be received no later than 11 am on Thursday May 31. The first dividend on the issue of £2.036 will be payable on October 1 and thereafter six-monthly payments will be made on April 1 and October 1.

● **comment**

In the wake of the Budget preference stocks as a whole slipped back and while the terms of the Portsmouth issue have been tailored for the changed circumsetances this issue is trying to find the market level again. By taking the stock exceedingly short — earlier in the year Mid-Southern was able to get a 1991 stock away with a 6¾ per cent coupon—its life runs with the gradual reduction in corporation tax. Compared to Treasury 10 per cent 1987, yielding 10.4 per cent Portsmouth is giving enough away to attract a fair amount of interest for those where franked investment income still suits. Tenders should probably be pitched at over £100, though, given the background, the market will be slightly groping in the dark to get the pricing right.

# MINING NEWS BIDS AND DEALS

## Dome Mines in the red

BY GEORGE MILLING-STANLEY

REDUCED GOLD production, higher operating costs and the lower average gold price combined to cut into the profitability of the Dome Mines group, Canada's biggest gold producer, in the first quarter of 1984. The group was pushed into loss for the period after absorbing its share of the write-offs made by its 29 per cent-owned associate Dome Petroleum.

The net loss for the three months was C$1.47m (£800,000) or 2 cents a share, which compares with profits of C$24.72m or 35 cents in the first quarter of last year.

Without the group's share of the Dome Petroleum write-offs, Dome would have made net profits of C$7.43m, against C$27.9m in the opening three months of 1983.

The fall in gold production from 112,174 ounces in the first three months of 1983 to 102,766 oz in the latest period was largely attributable to the successful clean-up operations carried out on the group's ageing treatment plant at Timmins, Ontario, last year.

These operations added 37,000 oz to last year's output, worth something like C$20m at the time it was sold. The funds went towards the cost of the new shaft which was recently sunk at the Dome mine, which is expected to revitalise the 75-year-old operation.

The latest results also suffer in comparison because last year's first quarter included the C$17.12m extraordinary gain realised on the sale of Dome's interest in Denison Mines.

The gold price received in the latest quarter averaged C$488 per oz, down from C$564 in the first three months of last year.

The rise in operating costs came about because of problems with the start-up of the new Detour Lake operation 125 miles north-east of Timmins.

The Dome group's 50 per cent interest in Detour Lake is now held by Campbell Red Lake Mines, owned as to 57 per cent by Dome Mines. Amoco Canada Petroleum, a subsidiary of Standard Oil of Indiana, holds the remaining 50 per cent.

Campbell reported first-quarter net profits of C$7.47m or 16 cents a share, compared with C$18.34m or 38 cents in the opening three months of last year.

Campbell's results were largely affected by the same factors as those of its parent, including the share of the Dome Petroleum write-offs, although here gold production rose from 51,948 oz to 60,049 oz.

Bullion revenue was almost unchanged from last year at C$29.6m, equal to about C$491 per ounce against C$567.

## Reduced loss for Teck

CONTINUING LOW prices for copper and molybdenum meant that Canada's Teck Corporation stayed in the red in the three months to the end of March, the second quarter of the group's financial year.

The latest quarterly loss brought the net loss for the first half of Teck's financial year to September to C$3.1m (£1.7m) or 15 cents a share, which compares with a deficit of C$2.9m or 14 cents in the opening six months of last year.

However, these figures should not be allowed to disguise the improvement between the latest two quarters. Teck's loss in the latest three months was C$448,000, which compares with a loss of C$1.6m in the corresponding quarter of last year and C$2.6m in the three months immediately preceeding.

Mr Norman B. Keevil jr, Teck's president, said that the new Bullmoose coalmine in British Columbia has made a positive contribution to earnings from the start of production on January 1.

He added that all of the group's divisions operated profitably during the first half of the year with the single exception of copper, where the group's mines had a combined operating loss of C$1.6m.

Mr Keevil said he expects the Afton mine to be performing better very soon as the planned lower-grade cycle is coming to an end. This should result in lower operating costs and an improved contribution to group profits.

For the longer term, Mr Keevil pointed out that the construction of the mill at Teck's rich gold property at Hemlo in northwestern Ontario started during the second quarter. In addition, the headframe has been completed and shaft sinking is under way, and first production is scheduled for the middle of next year.

## Carbury I£0.5m placing

Carbury Resources has initiated a placing of shares which is expected to raise in the region of I£500,000. The company is applying to the Stock Exchange for permission for its shares to be traded under Rule 163 (3).

The placing is being arranged by the Investment Bank of Ireland. Stockbrokers are Goodbody & Wilkinson.

Carbury hopes the placing will be completed and that permission to trade on the shares will be granted by mid-June.

The principal objection of the company is to explore for and acquire production of oil and gas through participation in drilling programmes in areas which have a history of successful productioo, mainly in the

## Vigorous Halstead defence against British Syphon

BY RAY MAUGHAN

James Halstead, the Manchester-based floor covering, travel and waterproof clothing group yesterday published a vigorous defence against the £12m all equity offer from British Syphon Industries, the drinks dispenser equipment manufacturer headed by Halstead's former chief executive, Mr Bryan Morrall.

The offer document, the Halstead chairman, Mr Vincent Clare tells his shareholders, contains sections which are "both individualistically arrogant and misleading. Consequently, I am constrained to put before you the factual position."

The offer has been rejected by holders of 40 per cent of Halstead's ordinary share capital and, on the basis of last night's closing prices, values Halstead at 85p per share against the market price of 96p.

Setting out the reason for accepting British Syphon's terms, Mr Morrall contrasted Halstead's record between 1975 and March last year under his stewardship and what he described as its flottering performance subsequently.

But Mr Clare stressed yesterday that "the only 'taltering' in your rompany's performance since March 1983 has been in relation to the diversifirations which Mr Morrall had urged on your board."

Halstead's chairman also declared that Mr Morrall had "every opportunity" to build up a major manufacturing company while with Halstead. "He spent a large proportion of his time looking at acquisitions," Mr Clare said, and while he was chief executive there were six acquisitions, none of which was major, two were non-manufacturing and most have since incurred losses and have required remedial action."

As the Halstead board sees the terms, "the offer seriously undervalues your company" and "is devoid of any commercial justification for Halstead."

Mr Clare pointed out that shareholders "are offered British Syphon shares whose present price is not supported on a sound investment basis and whose value and future prospects are not certain."

Furthermore, "British Syphon's 1983 results have been enhanced by the unusual transfer of losses to prior years. Without these odjustments, British Syphon's retained losses for 1983 would have been nearly £300,000."

Mr Morrall said later that these adjustments, relating to stock and plant values, "were correctly dealt with from any accounting point of view. I felt we should be very prudent."

But the acrimony sparked by British Syphon's bid centres on the manner of Mr Morrall's departure from the Halstead board, and the performance of the Wigwam travel subsidiary acquired a month before he left.

Mr Clare said yesterday that "Mr Morrall did not simply resign his post. He had, without any prior intimation to the board, announced publicly that he had acquired an interest in British Syphon (in fact it transpired that his acquisition had started about three months earlier) and intended to join its board — initially in a non-executive capacity and later on a full-time basis. Your board found it impossible to continue to work with him and procured his departure at their timing rather than his."

Mr Morrall's reason for keeping "secret" those negotiations, he added yesterday, was that he had "no alternative when dealing with a publir rompany and could not take major risks by talking to irresponsible people."

"I offered to serve my time out but they (the Halstead board) would not talk to me, and sent the group's lawyer to speak to me."

## BIDS AND DEALS IN BRIEF

To boost its interests in the telecommunirations field Anglo Nordic Holdings has purchased for £100,000 cash Credowan, a designer and manufacturer of precision microwave components, and has set up a joint rompany, Vega Emhiser, with Emhiser Research of Ontario.

* * *

Gruss and Co, o New York investment firm, has increased its holding in Winterbottom Energy Trust to 9.56 per cent, or 2.3m shares, from the 7.5 per cent holding previously disclosed.

Earlier this month, Winterbottom rejected a partial offer from Gruss, whose managing partner Mr Martin Gruss said he had offered to buy 25 per cent of the energy investment trust in addition to the 7.5 per cent already owned. He also proposed a joint management company with Winterbottom's manogers, the Edinburgh-based Baillie Gifford.

Winterbottom rejected the offer on the grounds that Gruss was ottempting to control the trust through the purchase of only a minority holding. Gruss said then that it reserved the right to buy or sell Winterbottom shares.

Its previous offer was at net asset value, which on Monday was 108p.

* * *

Guaranty Nominees, the nominee company for Morgan Guarenty Trust Co of New York, holds 52.23m shares or 14.19 per cent of Glaxo Holdings, compared with 15.42 per cent disclosed in March. Guaranty Nominees represents holders of Ameriran Depositary Receipts.

* * *

Acceptances of the BAT Industries' offer for Eagle Star now represent 99.64 per cent of the capital.

* * *

Hanson Trust said in New York that its Hmac Industries Inc. unit has completed its tender offer for shares of U.S. Industries Inc. at $23 a share.

Hmac has accepted under its offer 19,571,723 shares which, together with 1m shares previously held, constitute approximately 89.1 per cent of the outstanding U.S. Industries' shares.

* * *

Donald Morpherson Group rontinues to recommend the offer of 125p per share from Tikkurila.

* * *

J. E. Lesser and Sons has sold its holdiog of 100,000 shares (7.1 per ceoll of Swindon Private Hospital to Medic International at 120p per share. Yesterday, the shares rlosed at 115p, up 10p.

J. E. Lesser was the huilding contractor for the hospital, whirh is oow completed. Medic places hospital persoooel and doctors, and has a 20 per cent holding in the London Private Health Group, whirh also owns 7.1 per cent of Swindon Private Hospital.

* * *

Corporete Motor Holdings has purchased the business and assets of Erskine Cars, the Ford dealership for the Woking areo. Finance for the transacoon was provided by County Bank. Corporate Motor Holdings was set up by Mr Andrew Senn and Mr Keith Ewing, who previously held senior management positions with Heron Corporetion and Bristol Street Motors.

* * *

Rohan Group intends to declare its offer for DAD Properties unconditional as to acceptances upon valid acceptoores being received in respect of more than 50 per cent of the shares by June 1 1984.

* * *

The rlaims mode by Rock in relation to certain warranties rontained in the agreement dated March 8 1983 of its ocquisition of the rompanies comprising the small tools division of W. E. Norton (Holdings) have been settled on the hasis of a poymeot by Norton to Rock of £225,000.

* * *

Pauls & Whites' acquisitioo of Telford Foods has been rompleted. The 2.77m new ordinary shares issued as part of the consideration bave been admitted to the official list.

## SHARE STAKES

Octopus Puhlishing Group—Mrs Susan Mary Thomson, a director, has disposed of 25,000 ordinary.

R. P. Martin—Mr M. Boni, a member of the voting Trust, sold 5,000 shares at 253p, outside the voting trust. The voting trust has been expanded to include additional Bierbaum employees.

Sirdar—Mrs J. M. Tyrrell has sold 175,000 ordinary shares.

Cambridge Petroleum Royalties—John Govett and Co. as agents are now the holders of 1,077,000 (21.54 per cent) ordinary shares, held in the names of West Nominees and Midland Bank (Princes Street Nominees).

Globe Investment Trust—The Prudential Corporation Group of companies is interested in a total of 8,521,043 ordinary shares (5.20 per cent).

Prince of Wales Hotels—Quality Inns Inc is interested in a further 34,361 shares.

Bronx Engineering Holdings—A. I. Cross hss increased his holding by 50,000 shares to 675,000 shares.

Pritchard Services Group—P. J. Fox, a director, as a non-beneficial owner acquired, upon exercise of options, 52,613 shares (0.05 per cent).

Mellerware Internatinnal—Mrs Elsa Meller has disposed of 500,000 shares, placed with institutions and private shareholders. Mrs Meller retains 503,057 shares (9.15 per cent) and has undertaken to sell no more for 12 months.

Jos Holdings — Discretionary clients, non-discretionary clients and assoriates of John Carrington now hold collectively 1,300,075 ordinary shares (21.1 per cent).

## COMPANY NEWS IN BRIEF

Williams Holdings has received acceptances in respect of 2,333,987 new ordinary shares (approximately 93.27 per cent of the shares) offered by way of righisl.

* * *

Pre-tax profiis of H. Samnel, the multiple jeweller, emerged at £5.21m for the year ended January 28 1984 compared with a forecast of not less than £5m made at time of the offer for James Walker Goldsmith and Silversmith. This offer became unconditinnal on April 18.

The profit compares with £3.26m for 1982-83 aod was arhieved on turoover of £89.85m (£77.82m). A serond interim dividend of 4.75p has already been declared making an unchanged total of 6.25p. A one-for-two scrip issue is proposed.

Sales so far in the current year have reflerted a general improvement in market conditions.

An internal revaluation of group properties has thrown up a surplus over book value of £47m.

* * *

Anolber letter has been sent to shareholders of Henry Ansbacher Holdings conceroing

More company news, Page 30

the debt due to it from an ioternational shipowner.

It says that since the shareholders circular dated May 1 the financial positioo of the shipowner appears to have changed and there have been reports that it has ceased to carry on at least part of its troding activities.

Negotiations in which Ansbarher is partiripating are, however, proceeding for a reconatruction of the shipowner's business and Ansbarher believes that it has support from the authorities ronceroed.

* * *

The accounts of Minet Holdings for 1983 show that investigaoons and negotiations arising from certain reinsuranre arrangements for varions syndirotes are still in progress. Following a detailed review of the current situation, a further charge of £5.68m has been made as an extraordinary item.

The auditors say it is impracticable to estimate the amount of claims and possible claims made by and against a company subsidiary.

## BANK RETURN

| | Wednesday May 25 1984 | Increase (+) or Decrease (—) for week |
|---|---|---|

### BANKING DEPARTMENT

| | £ | £ |
|---|---|---|
| Liabilities | | |
| Capital | 14,553,000 | — |
| Public Deposits | 44,161,658 | — 227,074,861 |
| Bankers Deposits | 663,515,052 | — 28,085,200 |
| Reserve and other Accounts | 1,740,058,457 | + 138,961,461 |
| | 2,463,183,047 | — 110,198,663 |
| Assets | | |
| Government Securities | 456,601,100 | + 14,290,000 |
| Advance & other Accounts | 590,933,097 | — 62,722,101 |
| Premises Equipment & other Secs. | 1,430,787,054 | — 69,848,460 |
| Notes | 4,717,682 | — 7,291,596 |
| Coin | 144,114 | — 38,628 |
| | 2,463,185,047 | — 116,198,669 |

### ISSUE DEPARTMENT

| | £ | £ |
|---|---|---|
| Liabilities | | |
| Notes issued | 11,900,000,000 | + 190,000,000 |
| in circulation | 11,895,282,318 | + 197,891,586 |
| in Banking Department | 4,717,682 | — 7,891,396 |
| Assets | | |
| Government Debt | 11,015,100 | — |
| Other Government Securities | 3,222,021,069 | + 748,118,183 |
| Other Securities | 8,666,963,831 | — 558,118,189 |
| | 11,900,000,000 | + 190,000,000 |

# The Beauford Group

| RESULTS FOR THE YEAR ENDED 31st DECEMBER | 1983 £ | 1982 £ |
|---|---|---|
| Profit before exceptional item | 629,639 | 607,222 |
| Exceptional item | 71,721 | — |
| Profit before tax | 557,918 | 607,222 |
| Tax | 219,866 | 228,703 |
| | 338,052 | 378,519 |
| Extraordinary item | — | 50,000 |
| Profit for year | 338,052 | 328,519 |
| Earnings per share: | | |
| before extraordinary item | 10.4p | 11.6p |
| after extraordinary item | 19.4p | 10.1p |
| Total dividends per share | 4.0p | 3.5p |

**From the statement by the Chairman, Mr. G. Crawford:**

A further increase io profits on nrdioary octivities before redundancy rosts was aebieved despite a small reduction in turnover. Io the light of the trading conditions which prevoiled, such inrrease is considered satisfartory by the Board. The Board recommends a total dividend for the year of 4p per share compared with 3.5p for 1982.

The year has seen a rontinued increase in the variety of industries served by the Group which now uses its expertise in the engineering ond allied fields to supply equipment and services to the oil, ceremic, rubber, glass, nurlear and sugar industries as well as to the steel industry.

The first quarter of the current year has seen a considerable increase in order intake whirh gives the Board a greoter degree of optimism for the outrome of the year than has been possible ot the romparable stage for many years past.

THE BEAUFORD GROUP PLC
CLECKHEATON, WEST YORKSHIRE BD19 3HY

# WEBSTERS

**Financial highlights**

| | 1983 £000 | 1982 £000 | Increase % |
|---|---|---|---|
| Turnover | 51,842 | 40,306 | 28.6 |
| Pre-tax profit | 2,004 | 1,461 | 37.2 |
| | 1983 pence | 1982 pence | Increase % |
| Earnings per share | 10.3 | 7.9 | 30.4 |
| Dividends | 3.1 | 2.7 | 14.8 |

*Rights issue of 1 share for 3 at 84p – 3rd May, 1984.*

Good year for **Bookwise**

Further growth from **Books for Students**

Satisfactory increase in results of **Websters Bookshops**

Firm foothold established by **Websters Software**

Copies of the Annual Report available from The Secretary

**THE WEBSTERS GROUP PLC**

Langham Park, Catteshall Lane, Godalming, Surrey, GU7 1NG

# Bass

**Public Limited Company**

## Interim Statement

For the 28 weeks ended 7th April, 1984

| | 28 weeks to 7.4.84 | 28 weeks to 9.4.83 | Year to 30.9.83 |
|---|---|---|---|
| | £ millions | £ millions adjusted (Note 2) | £ millions |
| Turnover (Note 1) | 1,106.6 | 1,004.1 | 1,988.4 |
| Costs and overheads, less other income | 1,012.1 | 928.6 | 1,791.2 |
| Trading profit (Note 1) | 94.5 | 75.5 | 197.2 |
| Cost of borrowing | 10.1 | 13.0 | 22.2 |
| Profit on ordinary activities before taxation | 84.4 | 62.5 | 175.0 |
| Tax on profit on ordinary activities (Note 2) | 31.7 | 22.1 | 61.7 |
| Profit on ordinary activities after taxation | 52.7 | 40.4 | 113.3 |
| Attributable to outside shareholders | — | 0.1 | 0.6 |
| Preference dividends | 0.2 | 0.2 | 0.3 |
| Earnings available for ordinary shareholders | 52.5 | 40.1 | 112.4 |
| Ordinary dividends paid and proposed (Note 3) | 10.7 | 9.5 | 36.7 |
| | 41.8 | 30.6 | 75.7 |
| Ordinary dividends paid and proposed – per share | 3.30p | 2.93p | 11.36p |
| Earnings per ordinary share (Note 4) | 16.2p | 12.4p | 34.9p |

NOTES:

1. Turnover and trading profit

(a) Operational analysis

| | 28 weeks to 7.4.84 | 28 weeks to 9.4.83 | Year to 30.9.83 |
|---|---|---|---|
| | £ millions | £ millions | £ millions |
| Turnover— | | | |
| Brewing, drinks and pub retailing | 853.0 | 775.3 | 1,493.6 |
| Leisure | 253.6 | 228.8 | 494.8 |
| | 1,106.6 | 1,004.1 | 1,988.4 |
| Trading profit— | | | |
| Brewing, drinks and pub retailing | 88.3 | 70.4 | 164.8 |
| Leisure | 6.2 | 5.1 | 32.4 |
| | 94.5 | 75.5 | 197.2 |

(b) Trading profit is after charging/(crediting):

| | 28 weeks to 7.4.84 | 28 weeks to 9.4.83 | Year to 30.9.83 |
|---|---|---|---|
| | £ millions | £ millions | £ millions |
| Depreciation on tangible fixed assets | 29.7 | 27.8 | 53.3 |
| Surplus on disposal of fixed assets and subsidiaries | | | |
| —brewing, drinks and pub retailing | (6.0) | (5.4) | (15.4) |
| —leisure | 0.3 | (0.4) | 0.7 |
| Provision for employee share ownership scheme | 3.1 | 2.2 | 6.2 |

(c) In the 28 weeks under review there has been continued growth in the Company's beer sales compared with the same period last year, and an increase in market share. Sales of lager, particularly Carling Black Label and Tennents, showed above average increases. The volume of trading in all other sectors of the business also increased.
There has been an encouraging start to sales in the second half-year. Nevertheless, the substantial rate of growth in the first half is unlikely to be maintained for the whole of the financial year, because of the exceptionally good summer in 1983.

2. Taxation

(a) Taxation has been provided at an estimated effective rate of 37.5% (1983: adjusted to 35.3%) on profit before taxation.

(b) Deferred taxation
Indications are that the proposed changes in rates of corporation tax and capital allowances will give rise to a provision for deferred taxation, which is presently estimated at £9.0m, for which no provision has been made in this statement.

3. An interim dividend of 3.30p per share (1983: 2.93p) on the Ordinary shares will be paid on 23rd July 1984.

4. Earnings per Ordinary share are calculated by dividing the earnings available for Ordinary shareholders £52.5m (1983: £40.1m) by 324.9m (1983: 323.0m) being the number of Ordinary shares of 25p in issue at the end of the period and ranking for dividend.

5. During the 28 week period ended 7th April 1984 expenditure on fixed assets was £87.3m (1983: £71.2m adjusted).

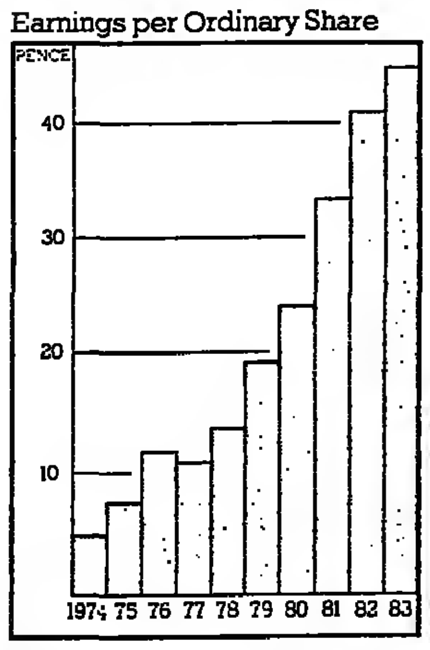
6. The results for the half year have not been audited. The figures for the year to 30th September 1983 have been extracted from Accounts which have been filed with the Registrar of Companies and contain an unqualified audit report.

# Walter Lawrence

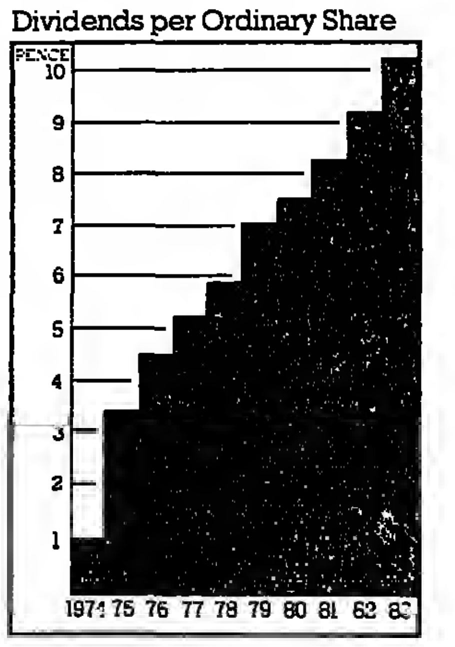
## Another year of real growth

- 1983 profits up 17.5% to record level of £2.75 million.
- Total dividend increased for tenth successive year – now 10.25p per share.
- Pressure on contracting industry margins should be countered by profits from housing and manufacture.

Earnings per Ordinary Share




Dividends per Ordinary Share




*Copies of the Annual Report are available from The Secretary, Walter Lawrence PLC, Lawrence House, Sawbridgeworth, Hertfordshire CM21 9LX.*

WALTER LAWRENCE — Construction Housebuilding Manufacturing and Engineering — WALTER LAWRENCE

# UK COMPANY NEWS

## Plessey tops £176m: rules out bid approach to BAe

Plessey had never considered making a bid approach to British Aerospace, Sir John Clark, the chairman, said yesterday in announcing a further record profit of £176.14m for 1983-84. There had been considerable speculation in the London Stock Market that Plessey was interested in BAe.

Giving Plessey's attitude towards the recent approach to BAe from Thorn-EMI, Sir John said that the group "had never considered such a step" but it was naturally now looking at the implications of a Thorn/BAe merger as they might affect the group's commercial interests.

Overall progress has been maintained by Plessey through the final quarter of 1983-84 and pre-tax profit shows a 20.3 per cent increase. Shareholders are getting a 15.1 per cent rise in the dividend.

Group pre-tax profits in the 13 weeks ended March 30 1984 improved by 16.6 per cent to £51.54m although turnover was virtually unchanged at £346.83m (£345.72m).

Turnover for the year rose by 13.4 per cent to £1.22bn, and operating profits went up from £119m to £146.3m. This represents an increase of 22.9 per cent which partly reflects improved margins of 12 per cent (11.1 per cent).

After tax and minorities the net attributable profit showed a jump of 35.3 per cent to £112m and earnings per share were up from 11.33p to 15.25p. The improved earnings were largely due to a reduction in the effective rate of tax from 41.4 per cent to 34.9 per cent—resulting from a high level of capital investment and the cut in corporation tax.

A final dividend of 2.24p net is proposed and it is planned to pay this to shareholders two months earlier on November 1. This makes a total of 3.8p compared with the equivalent of 3.3p.

Outstanding orders at March 30 1984 showed an advance of 16.3 per cent to £1.68bn.

The directors report that on the group's telecommunication side operating profits rose from £67.53m to £76.45m and accounted for 52.2 per cent (56.8 per cent) of the group total. The order book stood at £880.14m (£593.58m).

The electronic systems and equipment side again had a successful result with operating profits up 30.7 per cent to £38m, on turnover 20.4 per cent higher at £393.6m. The order book was also healthy—up by 32.8 per cent to £940.4m.

The directors report that the microelectrics and components sectors showed a jump from £8.5m to £12.5m in operating profits with much of the growth coming in the last quarter which showed an increase of 193 per cent. The order book was up 34.6 per cent to £63.4m.

The directors say that although aerospace and engineering turnover was lower than last year—at £109.4m (£120.43m)—due mainly to the sale of the precious metals business in the U.S.—the resulting elimination of losses has improved the operating profit by over 30 per cent to £4.1m in the fourth quarter and £15.2m for the full year.

Shareholders are told that on the computer peripherals side operating losses were £2.8m on turnover 31.5 per cent higher. While losses from operations were £1.2m lower than last year a strict stock valuation approach—which reduced the group operating profit by £5.5m—had an impact of £1.8m on this business.

At the year end shareholders' funds showed an increase of £82m to £489.8m and, with total borrowings standing at £73.8m, the debt/equity ratio was 15.1 per cent. Cash and deposits reached a total of £324.9m, an increase of £53.3m.

Commenting on the group's figures Mr Peter Marshall, the finance director, referred to the policy switch in the autumn of 1982 away from acquiring fixed assets by leasing. In the year to March 1983 the group's purchases of fixed assets were £45m and he said that this grew to £83m last year. This, he estimated, meant an increase of some 30 per cent in the company's installation of fixed assets during the year.

Mr Marshall said that the group had also been investing more in marketing—up from £81m to £95m—preparing for higher sales overseas. In addition the group's investment in private venture engineering developments rose £45m to £66m. He said he expected all these trends to continue.

UK orders for System X now being placed on the basis of three months for local exchanges, with a six monthly ordering period for trunk exchanges. By the end of the year more than 200 exchanges will have been delivered to British Telecom with a value of more than £110m for Plessey.

On the prospects for exporting System X, Plessey makes the point that few public authorities overseas have ordered digital switching equipment and therefore the company sees "an enormous opportunity."

The group was looking forward to being able to point to a significant installed base to show other potential buyers but the company admits significant export orders are not likely for a year or so. It does however hope for some trial orders.

Meantime it stresses its strength in this type of equipment and technology in the U.S. telephone market.

Plessey also believe it had opportunities in fibre optics and noted that the electronics element of the U.S. fibre optic market is expected to be $1bn a year. It sees considerable opportunities in this area.

Plessey's investment policy for its spare cash is to stick to gilts and other investments absolutely guaranteed. Mr Marshall saw "no possibility that Plessey will invest in equities."

See Lex

## Extel rises 75% to record £10.61m

A SEVENTH successive record year for Extel Group, the specialist news agency with interests in communications, printing, publishing, information services and computer systems, saw taxable profits increase by 75 per cent from £6.03m to £10.61m in the year to end March, 1984.

The directors are recommending a final dividend of 9p per share, up from 7.5p, to give a 12p (10p) total for the year, and a one-for-one scrip is proposed.

Commenting on the result, Mr Alan Brooker, chairman and chief executive, reported that Benn Brothers, the financial publisher acquired during the year, increased profits by 126 per cent to £1.76m, and he has every confidence that its progress will continue. The overall profit performance reflects a "highly successful year's trading" in all the group's businesses.

The profit surge was achieved on turnover, including total advertising billings, 18.7 per cent higher at £149.49m against £125.84m. Interest absorbed a larger slice, at £388,000 against £258,000, and tax was up from £3.18m to £4.71m. Minorities took £407,000, against £280,000.

A substantial extraordinary item of £4.48m (£323,000) represented the cost of terminating the agreement with the Press Association for the provision of certain news services (which amounted to £4.25m), redundancy and other costs in respect of rationalisation of printing and other capacity, additional deferred tax arising from the Budget changes, and the takeover defence costs incurred by Benn Brothers. There was also an extraordinary income relating to disposals.

As a result of this large extraordinary item, the profit attributable to ordinary shareholders was reduced from £2.17m to £924,000. The dividend pay out accounted for £2.05m (£1.7m), and was assisted by a £1.16m transfer from reserves, against last year's contribution of £473,000. Earnings per ordinary share were sharply increased from 14.4p to 31.2p.

The chairman states that another feature of the year was the development of the company's computer manufacturing business, Digital Microsystems. In January it announced its intention to acquire the minority interests in this business and he hopes that this will be completed shortly. With the introduction of new products and the strengthening of its market position at home and overseas, he believes its prospects are good. The immediate objective is to consolidate the gains already achieved.

Activities in the City also grew at an "exciting" pace. Burrups Printing Group more than doubled its profits compared with last year and greatly exceeded its previous best performance.

The group's advertising and public relations interests, under the banner of the Royds Advertising Group, had another good year and as a result of many recent business gains should soon contribute even higher levels of profit.

**● comment**

Extel is proving remarkably successful at firing on all cylinders at the moment. In particular, Burrups has a very volatile profits record, given that the demand for prospectus printing normally relates to the fortunes of the stock market. But the prolonged bull market has given rise to two good half-years in a row, and whatever horrible things may be happening to the market at the moment, the sheer enormity of the Telecom issue should guarantee a good 1984. Benn, meanwhile, is growing at a rate which makes last year's purchase price look bargain basement, and even Royds is shaking off some of its lethargy. The sporting and financial services are performing more modestly—some £0.8m of the increase relates to the buy-out from the Press Association—and the computer business actually produced lower profits in the second half in the first, as a result of new product development costs. But this year should see pre-tax of at least £12.5m, putting the shares—up 12p at 605p—on a prospective p/e of 15.

## Minster Assets advances to £11.7m

HIGHER TAXABLE profits of £11.71m, against £11.65m, were achieved by Minster Assets in calendar 1983 despite a sharp £3.88m rise to £9.08m in underwriting losses on motor, fire and accident insurance.

This loss within the Minster Insurance group was offset by both a rise in investment income from £16.25m to £19.4m and considerably reduced losses of £54,000, compared with £2.38m, on underwriting of marine and aviation insurance.

Overall, the MI group contributed profits of £8.13m (£7.69m) after including £295,000 (£109,000) from associate companies and deducting £1.41m (£1.07m) of expenses not charged to departmental revenue accounts.

Minster Assets' insurance broking and services profits declined to £1.05m (£1.23m) and the results from Lloyd's underwriting agencies were slightly lower at £2.48m (£2.6m).

Investment holding, banking services and issuing house activities experienced a near 50 per cent cut in profits from £435,000 to £220,000. Elsewhere, losses on oil and gas interests were unchanged at £3,000, but the loss from motor accessory manufacturing was down at £158,000 (£203,000).

The directors have recommended a higher final dividend of 3.2p which lifts the total net payout from 4.7p to 5p. Earnings per 25p ordinary are shown as 11.01p (10.77p).

There was a surplus for the year of £6.85m (£6.64m) after tax of £5.17m (£6.06m), minorities £1.82m (£1.46m), extraordinary items (balanced by a reserve transfer) of £29,000 (£145,000), and a £2.12m (£2.51m) transfer from investment reserve of Minster Insurance group after minorities.

Dividends, including preference, will take £2.15m (£2.03m), leaving a retained balance of £4.7m (£4.62m).

**● comment**

The current price war for UK motor insurance business has been going on for about three years now and this has bit deeply into Minster's operations since two-thirds of its premium income comes from this source. Inadequate premium rates and rising numbers of claims left the company with a £3.7m shortfall on the underwriting account and the small premium increase in January will do nothing to improve the situation this year. This means that Minster will have to look to income from other sources, particularly its investment, for growth. Meanwhile the share price—135p, down 2p—is being supported by two non-trading elements—the prospect of a takeover now that Allianz is sniffing around the UK market again (though it seems unlikely) and the exploration involvement in the North Sea. The p/e is 12 and the yield 5.4 per cent—a fully-valued rating for the sector.

### BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

**TODAY**

Interims: Bakers Household Stores, Davenports Brewery, John Kent, LPA Industries, M.M.T. Computing, Radio Clyde, Tyne Tees Television.

Finals: Ascom-Dcoars, British-Borneo Petroleum Syndicate, Castings, Macdonald Martin Distilleries, NEC, Nineteen Twenty-Eight Investment Trust, TR Industrial and General Trust, Toshiba, Western Dooars Tea.

**FUTURE DATES**

Interims—

| | |
|---|---|
| Edinburgh Financial Trust | May 29 |
| Fleming American Inv. Trust | June 6 |
| Guinness (Arthur) | June 12 |
| London Scottish Finance | June 13 |
| Pyke Holdings | May 29 |
| Westland | June 13 |

Finals—

| | |
|---|---|
| African and European Invest. | June 6 |
| Avana | June 29 |
| Gunhill | May 30 |
| Electronic Rentals | June 7 |
| Globe Investment Trust | May 29 |
| Lyson | May 31 |
| Steed and Simpson | June 10 |

## Gomme back in black as recovery continues

THE RECOVERY programme initiated by G-Plan furniture manufacturer Gomme Holdings at the end of 1982 gathered more pace in the six months to January 27 1984 with the group bouncing back from losses of £289,000 to pre-tax profits of £554,000.

At the end of last year, when a loss of £313,000 (£3.3m) was reported, the directors forecast a return to the black during the opening period of the current 12 months. They now say the furniture trade generally is weak and second half profits will be lower than those now reported.

Turnover at midterm showed an improvement from £13.95m to £14.51m and there was an operating profit of £1.12m (£235,000 deficit) before interest payable of £298,000 (£254,000). With no tax charge this time, compared with £47,000, earnings per 25p share are stated at 6.62p (4.16p loss).

Dividends on ordinary shares are not resumed but the directors consider the interim result justifies a reduction in the arrears of preference payments and two half-yearly instalments will be paid on July 27. At July 31 1984 two half-yearly instalments will remain unpaid.

The directors estimate that extraordinary items—chiefly the costs associated with properties and redundancies—will be about £80,000 for the current year, compared with £843,000 for the corresponding period. In neither year has any part of such items been taken into the interim result.

**● comment**

These are clearly good recovery figures for Gomme, and not before time. Any continuation of losses—the company has not seen profits for three years now—could well have overstretched a tight balance sheet. Although the interest charge suggests otherwise, borrowings have, in fact, been reduced to around 75 per cent of shareholders' funds—still high but at least on a downward trend. Up to now Gomme has been paying the price for mistiming its expansion programme, which was executed just ahead of the recession. Demand for furniture evaporated and the company had to retrench at a cost of around £1m over the past 18 months. This means that capacity is now more in line with demand; hence the better margin. Now that the restructuring is a thing of the past, the outlook revolves very much on demand, which at this stage cannot by any stretch of the imagination be described as good. Furniture, it seems, is not the main beneficiary of the High Street spending boom, disposable income going to products like the electrical sector instead. This is the key to the cautious statement for the second half, while Gomme can be considered to be out of the woods for the moment, there are still no sure signs that a recovery trend can be maintained. The share price slipped 2p to 30p.

## Poor end to year at A. Goldberg

GROWTH IN taxable profits at A. Goldberg & Sons was contained to just over 10 per cent in the 53 weeks to end-March 1984 by a disappointing fourth quarter's retail sales and a higher interest charge.

On turnover of £40.45m, against £36.94m, the company achieved a £180,000 profits advance to £1.9m after interest payable some £1.05m higher at £2.44m, and a depreciation charge of £1m (£955,000).

The directors of Goldberg, a Glasgow-based departmental store operator, says that the satisfactory trading levels achieved up to Christmas and in the early part of January were not maintained, with cold weather and a late Easter adversely affecting sales.

This setback undermined their anticipated improvement in the second half with profits showing a very small increase of £33,000 to £1.54m.

And with the current year off to a disappointing start they warn that unless there is an upturn in the summer months the first half results will be adversely affected.

There is no change in the dividend with the directors recommending an unchanged final payment of 3.956p, which holds the total at 5.25p.

Earnings per 25p share are shown as 7.13p (6.87p) after a tax charge of £679,000 (£544,000). There was an extraordinary charge of £560,000, balanced by a transfer from reserves, this time for deferred tax. After this and dividends the retained profit amounts to £321,000 (£276,000).

Commenting on the company's operations, Mr M. Goldberg, the chairman, says "we have continued to upgrade our Wrygges young fashion business. Paisley was relaunched in February and the refurbishment of our largest Wrygges unit within the Glasgow flagship store was completed in April. Both are trading well.

"Style Financial Services has made good progress in its planned development as a leading consumer credit business in Scotland, with Stylecard extending its appeal by continuing to link up with organisations providing consumer goods and services complementary to those of the group.

"There is, however, still considerable interdependence between our credit card and retailing activities, thus the pace of growth in Style will to some extent depend on our further penetration of the retail market place."

Since the beginning of the current year the company has opened a new Wrygges in Ayr, and six to eight similar stores are planned for later this year in Scotland and North West England. Wrygges, however, represents only a proportion of Goldberg's total retail activities.

The company has under development new concepts focused on apparel and home fashion which, when fully tested, will replace the more traditional department and satellite store assortments, these being the major part of its current business, the chairman points out.

The very significant change in Goldberg's market positioning and its associated costs mean that the real benefits will take some time to show through, he says.

## Upton's costs 'materially lower'

IN THE circular giving details of its rights issue, the board of E. Upton & Sons states that as a result of earlier actions, costs in the current year are materially lower compared with the same period last year.

Sales, however, particularly in consumer durables, remain under pressure and much remains to be done before the company's trading base is fully secure. Notwithstanding this, its performance should improve significantly during the current year.

During this recovery phase, the company will be exploring, with the help of Fripp Sandeman, possibilities for new, geographically diversified projects with the intention of expanding the scale of its operations within related fields.

With a view to simplifying the debt structure, the board is negotiating with Gresham Trust, the trustees of the £250,000 9¾ per cent debenture stock 1992-1997, for the balance of such stock still in issue—£190,000—to be redeemed following completion of the rights issue. The company's bankers will then make available a term loan, additional to agreed overdraft facilities.

The directors are pursuing a more positive marketing policy. This has already led to the introduction of Uptown Girl which has produced an immediate improvement in trading in the clothing departments of the company's stores.

It is proposed to adopt this type of concept on a wider scale with the advice and guidance of the consultancy company.

The company has entered into two conditional agreements with Fripp Sandeman and its two shareholders, Mr Fripp and Mr Sandeman.

The first is a consultancy agreement under which Fripp Sandeman will provide retailing consultancy services to the company for a minimum of three years.

The second (the subscription and option agreement) has been entered into with a view to developing a longer-term relationship and provides for the issue of a total of 50,000 ordinary shares in the company to Mr Fripp and Mr Sandeman in return for a 26 per cent shareholding to FS and the grant to FS of options to subscribe a further 150,000 ordinary shares at 40p per share.

The exercise of the options as to 100,000 ordinary shares is conditional upon either the company achieving (before tax and extraordinary items) targets of approaching break-even in 1984, and a profit of not less than £225,000 in 1985, or an overall profit of not less than £200,000 in the years 1984 and 1985.

Exercise of the options as to the balance of 50,000 ordinary shares is conditional upon the company achieving a profit before tax and extraordinary items of not less than £250,000 in 1986.

## Deritend finishes with £1.4m profit

Operating margins continued to improve at Deritend Stamping in the year to end-February 1984 and resulted in a £1.43m profit at the taxable level compared with a £213,000 loss.

Deritend, engaged in forgings, castings and electrical installations and repairs, achieved a £1.48m rise in gross profit to £6.83m on turnover of £34.3m against £33.45m.

This profit as reduced to £1.81m, compared with £357,000, at the trading level, after distribution costs of £2.02m (£2.04m), and administration expenses of £3.38m (£3.37m)—other operating income amounted to £378,000 (£403,000).

The taxable result was struck after interest payable of £381,000 (£570,000).

The dividend is being partially restored with an increase in the final payment to 3.8p which lifts the total to 6p (5p). This is in line with the directors' forecast at midway when they reported a return to the black with profits of £623,000.

There were earnings per share of 22.3p (losses 5.4p) on after tax profits of £1.18m (loss £286,000).

After dividends there is a retained profit of £859,000 (loss £2.14m) — last year there was an extraordinary debit of £1.59m.

Mr D. J. Mead, the chairman, says that after three particularly difficult years "it is heartening" to report a profit for the year.

However, he warns that market requirements continue to be depressed with margins under pressure. While the board believes that the group will continue to progress during the current year, he points out that such progress is naturally dependent upon modest economic growth.

| | 1983-84 £000 | 1982-83 £000 |
|---|---|---|
| Turnover | 34,298 | 33,453 |
| Cost of sales | 27,465 | 28,096 |
| Gross profit | 6,833 | 5,357 |
| Distribution costs | 2,024 | 2,036 |
| Administrative expns. | 3,375 | 3,367 |
| Other oprtng. income | 378 | 403 |
| Trading profit | 1,812 | 357 |
| Interest payable | 381 | 570 |
| Pre-tax profit | 1,431 | †231 |
| Tax | 256 | 73 |
| Net profit | 1,175 | †286 |
| Extraordinary loss | — | 1,593 |
| Attributable profit | 1,175 | †1,579 |

† Loss.





## COMPANY NEWS IN BRIEF

Although turnover at Weeks Associates advanced by 14 per cent to £10.31m in the year to January 29 1984 profits at the pre-tax level fell by £21,336 to £130,196 and the dividend for the year is being cut from 0.7p to 0.4p net per 10p share.

Difficulties in export markets for agricultural trailers, especially Nigeria, were responsible for the 14 per cent decline in profits. The directors explain that export orders held by the Weeks Trailers subsidiary could not be converted into sales and the offshoot traded at a loss in the second half.

Elsewhere, group operating companies continued to make progress—apart from agricultural machinery Weeks has interests in rubber products.

Looking ahead, prospects for all activities, apart from trailers, are "much brighter" and order books are much better than for some time. Urgent action is being taken to reduce reliance on the "unpredictable" markets for agricultural trailers.

* * *

Pre-tax revenue of £48,000 against losses of £110,000, is reported by Marler Estates, property development, for the six months to September 29 1983. No interim dividend is again payable.

The pre-tax figure comprises trading profit from property held for resale, £8,000 (£125,000) and income from completed properties, £49,000 (£35,000). Interest payable was down from £207,000 to £8,000—there were hotel trading losses of £64,000 last time.

Group turnover plunged from £803,000 to £218,000. Tax was unchanged at £700,000.

Since September 29 1983, further sales totalling £2.89m have been completed.

Marler has made a £938,708 takeover bid for SB Property, the owner of Stamford Bridge, home of Chelsea Football Club, who recently won the Football League's Second Division title.

* * *

A turnround from a loss of £265,000 to a profit of £43,000 is reported for the six months to March 31 1984 by Spencer Clark Metal Industries, manufacturer of special steels and superalloys.

There is again no interim dividend. However, at the end of last year, when a loss of £161,000 (£875,000) was reported, the directors said it was hoped to return to the dividend list on the basis of current year's trade.

Turnover for the first half was virtually unchanged at £4.37m, on which an operating profit of £162,000 (£112,000 loss) was achieved before interest of £119,000 (£153,000).

The directors report that the order book is getting stronger and, in spite of a very competitive market, better margins are expected in the second half.

Considerable priority has been given to reduce borrowings further and they are down by £426,000 since the year ended September 30 1983.

The company has sold its warehouse site at Beeley Wood, Sheffield for £169,000 cash (book value £187,000). The property has been vacant for over a year and the realisation will further reduce borrowings, the directors state.

* * *

Profits before tax at J. A. Devenish, the Dorset-based brewer, rose from £125,000 to £200,000 in the 24 weeks to March 18 1984. The directors state that, as usual, the profit is a small percentage of what the company hopes to achieve for the full year. Last year's result was £1.84m.

The company is paying an unchanged interim of 2.25p—total last time was 10.25p.

Turnover, excluding VAT, increased from £8.27m to £8.7m, and the tax charge was up by £29,000 to £76,000. The company anticipates that if general trading for the current half is similar to last year, when there was a profit of £1.72m, there will be an increase in overall profit.

* * *

Second half pre-tax profits at Young and Co's Brewery improved by £57,000 to £1.03m, and figures for the full year to March 31 1984 rose from £2.22m to £2.64m. The final dividend is raised from 2.5p to 3p net for an increased total of 5.5p compared with 4.5p.

Turnover of this London based brewer advanced from £30.61m to £32.37m. Pre-tax profits included gains of £15,000 (£82,000) on property sales—last year £46,000 was deducted, being the cost of a bonus issue.

Tax was considerably higher at £1.13m against £327,000, and there was an extraordinary charge of £3.29m this time—a provision for deferred tax.

Earnings per 50p share fell from 14.32p to 11.28p.

* * *

Yearling bonds totalling £18.75m at 10½ per cent, redeemable on May 29 1985, have been issued this week by the following local authorities.

Aylesbury Vale District Council £0.5m, Middlesborough (Borough of) £0.5m, Warrington Borough Council £0.5m, Pendle (Borough of) £0.5m, Castle Point DC £1m, Cumbernauld and Kilsyth DC £0.5m, Kingston-upon-Hull (City of) £1m, Lancaster City Council £0.75m, North Devon DC £0.25m, Preseli DC £0.25m, Tamworth (Borough of) £0.25m, Torfaen BC £0.5m, Swansea (City of) £1m, Lambeth (London Borough of) £0.5m, Sandwell (Metropolitan Borough of) £1m, Ashford BC £0.5m, Derwentside DC £0.25m, North Tyneside Metropolitan Borough Council £1.5m, North Warwickshire BC £0.25m, Slough (Borough of) £0.5m, Tonbridge and Malling DC £0.25m, West Wiltshire DC £0.5m, Bedfordshire County Council £0.5m, Cotswold DC £0.25m, Hartlepool BC £0.75m, Merseyside Passenger Transport Executive £1m, Newcastle-upon-Tyne (City of) £1m, and Sheffield (City of) £2m.

* * *

Consultants (Computer & Financial), a USM stock, is experiencing installation problems with a system being implemented by its Hong Kong subsidiary.

As a result of potential losses on this contract, CCF is unlikely to report a profit in the half year to June 30 1984, compared with £200,000.

However, despite these difficulties, the directors are confident of the group's performance for the full year.

* * *

Profit for the year at Flachglas, the German subsidiary of Pilkington Brothers, was DM 24.7m (£6.50m), of which DM 3m was allocated to voluntary reserves. The proposed unchanged dividend of DM 8 per share gives a total of DM 21.7m.

FINANCIAL TIMES

Friday May 25 1984



Good reception for three new Eurobond issues, Page 42

WALL STREET

# Bank fears provoke further falls

A SUDDEN spate of rumours of fresh problems in the banking world sent Wall Street stocks into a steep decline yesterday, *writes Terry Byland in New York*.

Stock prices went into a free fall at midsession, when the general uncertainty caused buyers to withdraw from the scene leaving market analysts to speculate on where the next support level might lie.

At early afternoon, the Dow Jones 1,100 threshold was under pressure as increased selling pushed turnover levels above those of recent weeks but prices rallied from their lowest levels.

The Dow Jones industrial average closed 10.37 down at 1,103.43.

In the credit markets, there was a renewed flight to quality, as investors sold banking certificates of deposit and bought Treasury bills. The signs of stress spread throughout the range of the bond market, where losses ranged from 5/32 at the short end to three quarters of a point in the longer dated issues.

Banking stocks fell heavily, despite firm denials from Manufacturers Hanover Trust, of rumours that the bank bad struck funding difficulties. The stock market resounded to rumours of problems at the other major banks but none stood up to the close scrutiny given them by banking industry analysts. Some bank stocks steadied at midsession.

More than half a million sbares in Manufacturers Hanover were sold during the morning, taking the stock down by \$3½ to \$27⅞. The bank's certificates of deposit continued to require a yield of about five basis points above other bank paper.

Also under heavy pressure again was Continental Illinois, \$¼ off at a new low of \$8.

Other bank stocks to take punishment were Chase Manhattan, \$1⅜ down at \$40⅝; Bankers Trust, \$1⅛ lower at \$38¼; and Irving Bank. \$2⅜ down at \$54. J.P. Morgan, which took the lead in the bank rescue package for Continental Illinois, dipped \$1 to \$64¼. Wells Fargo, which last year disclosed a sharp increase in non-performing assets, fell \$1⅝ to \$34⅜.

**The closing Wall Street report, updated U.S. market monitors and late Canadian prices were unavailable because of continuing industrial action at the Financial Times' printers in Frankfurt.**

**We regret the New York stock price listing in this edition is incomplete due to a transmission failure.**

The nervousness over the health of major financial institutions spread to the thrifts, or savings and loans companies. Financial Corporation of America, the largest of the thrifts and regarded as beavily geared, dropped \$1⅜ to \$14¼. Great Western Financial fell \$⅝ to \$18 and Golden West Financial at \$11¼ sbed \$⅜. Also weak was Federal National Mortage, or Fannie Mae, the federally sponsored but privately owned institution which is the major supplier of mortage funds in the U.S. At \$12¼, Fannie Mae lost \$⅜.

The banking worries overwhelmed all other considerations in the stock market but another heavy round of losses in airline issues reflected continued concern over the conflict in the Gulf.

Also undermining confidence was the expectation of news later in the day of another sharp rise in M1 money supply, which would strengthen fears of a tightening of Federal Reserve credit policies. The credit markets believe that the Fed's hand has been stayed only by the problems in the banking world.

IBM shed \$¾ to \$107⅞, General Electric was \$¼ off at \$52¼, Ford lost \$⅛ to \$35⅝ and General Motors \$¼ to \$62¼.

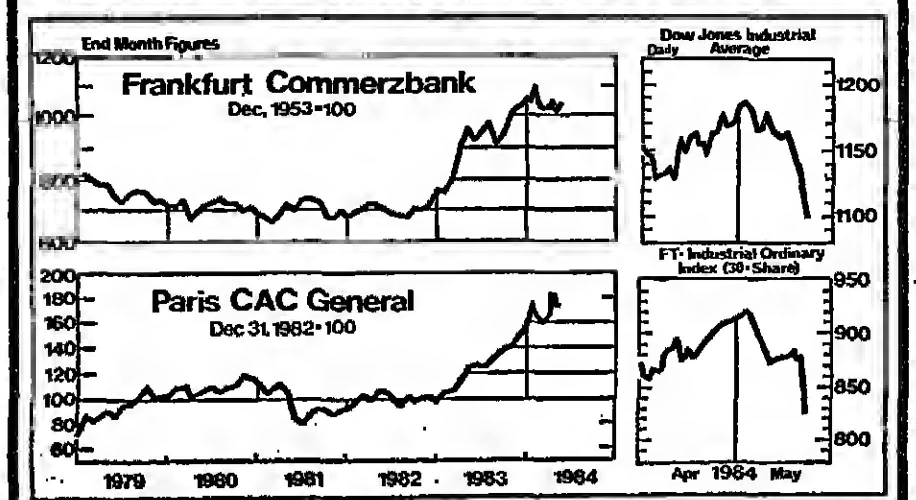
Among technology stocks, Texas Instruments lost \$1¼ to \$136⅜, Burroughs \$1¼ to \$48½ and Digital Equipment, number two to IBM in the industry, fell \$1¼ to \$86⅝.

Among bid situations, Esmark put on \$¾ to \$58¾ in brisk turnover after Beatrice Foods lifted its offer for the equity to \$60 a share. At \$28¼, Beatrice eased \$⅛. Phibro-Salomon dipped \$⅜ to \$26 as the market pondered the possible sale to staff of its commodity trading operations.

The flight towards casb gathered pace, taking discounts on three-month Treasury bills down to 9.89 per cent, a drop of 28 basis points. Even six-month bills were relatively unwanted, with the rate dipping only 10 basis points to 10.42 per cent. Firmness in the federal funds rate, whicb brougbt \$1.5bn in customer repurchase arrangements from the Fed when the rate touched 10 11/16 per cent, was a secondary factor yesterday.

Heavy falls in long-dated Treasury bonds disclosed the markets' fears of forced selling by retail bolders, as well as the urge to move towards near cash instruments. The key 2014 long bond failed to sustain a rally and showed a net fall of three quarters of a point at 96 24/32.

## KEY MARKET MONITORS




### STOCK MARKET INDICES

| | May 24 | Previous | Year ago |
|---|---|---|---|
| **NEW YORK** | | | |
| DJ Industrials | 1103.43 | 1113.80 | 1219.04 |
| DJ Transport | 461.32 | 468.11 | 535.23 |
| DJ Utilities | 123.55 | 124.71 | 130.66 |
| S&P Composite | 151.24 | 153.15 | 165.54 |
| **LONDON** | | | |
| FT Ind Ord | 826.4 | 847.6 | 706.2 |
| FT-SE 100 | 1051.6 | 1075.4 | 924.0 |
| FT-A All-share | 496.61 | 505.8 | 433.47 |
| FT-A 500 | 542.89 | 553.19 | 471.05 |
| FT Gold mines | 633.7 | 642.8 | 631.0 |
| FT-A Long gilt | 10.89 | 10.67 | 10.45 |
| **TOKYO** | | | |
| Nikkei-Dow | 10,251.72 | 10,023.46 | 8563.51 |
| Tokyo SE | 802.57 | 787.40 | 630.85 |
| **AUSTRALIA** | | | |
| All Ord. | 689.9 | 694.4 | 605.1 |
| Metals & Mins. | 457.8 | 460.7 | 538.5 |
| **AUSTRIA** | | | |
| Credit Aktien | 54.86 | 54.81 | 57.63 |
| **BELGIUM** | | | |
| Belgian SE | 154.11 | 153.06 | 121.91 |
| **CANADA** | | Previous | Yr ago |
| Toronto Metals & Minls | 1902.0* | 1915.6 | — |
| Composite | 2192.8* | 2208.1 | 2417.2 |
| Montreal Portfolio | 105.72* | 106.28 | — |
| **DENMARK** | | | |
| Copenhagen SE | 186.08 | 187.68 | 139.78 |
| **FRANCE** | | | |
| CAC Gen | 173.1 | 173.3 | 124.3 |
| Ind. Tendance | 108.8 | 107.7 | 78.1 |
| **WEST GERMANY** | | | |
| FAZ-Aktien | 349.98 | 349.40 | 311.24 |
| Commerzbank | 1017.9 | 1015.8 | 830.1 |
| **HONG KONG** | | | |
| Hang Seng | 923.00 | 912.15 | 877.68 |
| **ITALY** | | | |
| Banca Comm. | 210.19 | 208.70 | 189.79 |
| **NETHERLANDS** | | | |
| ANP-CBS Gen | 159.9 | 161.3 | 125.0 |
| ANP-CBS Ind | 127.0 | 128.3 | 102.3 |
| **NORWAY** | | | |
| Oslo SE | 275.49 | 283.76 | 188.51 |
| **SINGAPORE** | | | |
| Straits Times | 949.39 | 928.57 | 913.39 |
| **SOUTH AFRICA** | | | |
| Golds | 973.9 | 986.3 | 904.6 |
| Industrials | 1063.8 | 1064.0 | 948.6 |
| **SPAIN** | | | |
| Madrid SE | 119.77 | 119.92 | 116.31 |
| **SWEDEN** | | | |
| J & P | 1441.94 | 1442.69 | 1435.61 |
| **SWITZERLAND** | | | |
| Swiss Bank Ind | 367.3 | 367.2 | 322.4 |
| **WORLD** | May 23 | Prev | Year ago |
| Capital Int'l | 177.6 | 177.9 | 175.6 |

### GOLD (per ounce)

| | May 24 | Prev |
|---|---|---|
| London | \$377.00 | \$377.75 |
| Frankfurt | \$375.50 | \$378.75 |
| Zürich | \$375.50 | \$378.75 |
| Paris (fixing) | \$374.89 | \$378.35 |
| Luxembourg (fixing) | \$375.25 | \$379.25 |
| New York (May) | \$378.50 | \$376.60 |

* Latest available figure

### CURRENCIES

| | U.S. DOLLAR | | STERLING | |
|---|---|---|---|---|
| (London) | May 24 | Previous | May 24 | Previous |
| \$ | — | — | 1.3815 | 1.3805 |
| DM | 2.7455 | 2.7505 | 3.795 | 3.80 |
| Yen | 231.45 | 231.6 | 320.0 | 320.0 |
| FFr | 8.4425 | 8.4575 | 11.66 | 11.675 |
| SwFr | 2.2675 | 2.271 | 3.135 | 3.1375 |
| Guilder | 3.104 | 3.096 | 4.29 | 4.275 |
| Lira | 1698.5 | 1694.0 | 2346.0 | 2337.0 |
| BFr | 55.765 | 55.88 | 77.05 | 77.15 |
| C\$ | 1.29675 | 1.29475 | 1.7905 | 1.7875 |

### INTEREST RATES

| | May 24 | Prev |
|---|---|---|
| **Euro-currencies** (3-month offered rate) | | |
| £ | 9 1/16 | 9 5/16 |
| SwFr | 4¼ | 4¼ |
| DM | 6⅛ | 5 15/16 |
| FFr | 13⅛ | 13⅜ |
| **FT London Interbank fixing** (offered rate) | | |
| 3-month U.S.\$ | 11 13/16 | 11⅝ |
| 6-month U.S.\$ | 12 7/16 | 12¼ |
| **U.S. Fed Funds** | 10⅝ | 11⅛ |
| **U.S. 3-month CDs** | 11.35 | 11.28 |
| **U.S. 3-month T-bills** | 9.77 | 9.95 |

### U.S. BONDS

| Treasury | May 24 Price | Yield | Prev Price | Yield |
|---|---|---|---|---|
| 12⅞ 1986 | 99 [illegible] | 12.75 | 99 [illegible] | 12.68 |
| 12⅝ 1991 | 94 [illegible] | 13.57 | 95 [illegible] | 13.40 |
| 13⅛ 1994 | 96 [illegible] | 13.69 | 97 [illegible] | 13.52 |
| 13¼ 2014 | 96 [illegible] | 13.71 | 97 [illegible] | 13.54 |
| **Corporate** | **May 24 Price** | **Yield** | **Prev Price** | **Yield** |
| AT & T | | | | |
| 10⅜ June 1990 | 87 | 13.80 | 87⅛ | 13.50 |
| 3⅞ July 1990 | 70⅝ | 10.60 | 70 | 10.70 |
| 8⅞ May 2000 | 66⅝ | 14 | 67 | 13.95 |
| Xerox | | | | |
| 10⅞ March 1993 | 83⅝ | 13.95 | 83⅞ | 13.85 |
| Diamond Shamrock | | | | |
| 10⅞ May 1993 | 82⅛ | 14.15 | 82⅝ | 14.10 |
| Federated Dept Stores | | | | |
| 10⅞ May 2013 | 75 | 14.25 | 74⅝ | 15.95 |
| Abbot Lab | | | | |
| 11.80 Feb 2013 | 83 | 14.25 | 84⅝ | 14.05 |
| Alcoa | | | | |
| 12½ Dec 2012 | 84⅞ | 14.50 | 85⅝ | 14.40 |

### FINANCIAL FUTURES

| CHICAGO | Latest | High | Low | Prev |
|---|---|---|---|---|
| **U.S. Treasury Bonds (CBT)** 8% 32nds of 100% | | | | |
| June | 60-26 | 61-13 | 60-18 | 61-24 |
| **U.S. Treasury Bills (IMM)** \$1m points of 100% | | | | |
| June | 90.04 | 90.07 | 89.66 | 89.73 |
| **Certificates of Deposit (IMM)** \$1m points of 100% | | | | |
| June | 88.32 | 88.42 | 88.24 | 88.46 |
| **LONDON** | | | | |
| **Three-month Eurodollar** \$1m points of 100% | | | | |
| June | 88.20 | 88.26 | 88.16 | 88.28 |
| **20-year Notional Gilt** £50,000 32nds of 100% | | | | |
| June | 101-15 | 102-25 | 101-14 | 103-12 |

### COMMODITIES

| (London) | May 24 | Prev |
|---|---|---|
| Silver (spot fixing) | 648.50p | 656.20p |
| Copper (cash) | £1024.75 | £1021.65 |
| Coffee (May) | £2425.00 | £2487.50 |
| Oil (spot Arabian light) | \$28.35 | \$28.37 |

LONDON

# Depressing session is ensured

RUMOURS of financial difficulties for another major U.S. bank, Manufacturers Hanover, were subsequently denied but ensured another thoroughly depressing trading session in London financial markets yesterday.

Government stocks tumbled sharply and leading equities followed. The FT Industrial Ordinary index recorded its second-biggest one-day fall ever with a loss of 21.2 at 826.4, making a slump of 49.8 over the last three days.

Long-dated gilts opened up to ¾ lower. The initial markdown, however, failed to deter some heavy selling and falls in the longs stretcbed to more than two points at the close while losses in the sborts ranged to 1¼.

*Chief price changes, Page 34; Details, Page 35; Share information service, Pages 36–37.*

## AUSTRALIA

A FIFTH successive Sydney decline took the market to a six-month low as a midsession rally quickly dwindled.

BHP lost an early gain after further discouraging reports from the Timor Sea oil well in wbicb it is leading exploration, finishing unchanged at A\$9.90.

## SINGAPORE

A VIGOROUS upturn in Singapore's Straits Times industrial index, 20.82 higher at 949.39, to an extent overstated the strength of the day – trading remained quiet and selective, and much of the rise was attributed to a S\$1 gain by constituent Esso at S\$14.50.

*None the less*, advances outnumbered declines 160 to 14.

## HONG KONG

DEALINGS remained quiet in Hong Kong but a fairly uniform array of muted gains was sufficient to take the Hang Seng index 10.85 upward at 923.00.

Strength was to be found in China Light, up 20 cents at HK\$11.20; Jardine Matheson and Bank of East Asia, each 30 cents higher at HK\$11 and HK\$21 respectively; and Hongkong Land, 5 cents better at HK\$3.10.

## SOUTH AFRICA

LOSSES were again incurred by Johannesburg golds, leaving them at or near day's lows and clipping R3 apiece off Buffels at R75.50 and FS Geduld at R48.50.

Anglo-American's increased stake in Gold Fields of SA left the former mining house 10 cents easier at R21.60 but the latter 20 cents firmer at R27.70.

## CANADA

GOLDS were again the weakest area in Toronto, but losses in sectors sucb as oils and transport issues were not very far behind in a generally dispirited day.

Banks in Montreal, although marked lower, beld up reasonably well against the worries surrounding their U.S. counterparts.

EUROPE

# Talks keep Frankfurt moving up

THE START of negotiations in the West German labour dispute over a shorter working week provided **Frankfurt** with sufficient impetus to reverse the previous session's tone of uncertainty although many investors decided that the sidelines were the safest place.

Car makers, the sector hardest hit by the metalworkers' strikes, benefited, with VW ahead by DM 4.50 at DM 195, while Daimler gained a further DM 2.50 to DM 575 on consideration of results. Porsche rebounded DM 6 to DM 1,025.

In engineerings, KHD put on DM 2.50 to DM 249 after higher 1983 profits and forecast of sbarply higher sales for the current year with at least an unchanged dividend of DM 8.

Kaufhof led stores down with a DM 2.70 fall to DM 235.10 despite a boost in turnover for the first four months and an intention to maintain a DM 7.50 payout. Karstadt lost DM 3 to DM 256.50, while Horten eased 50 pfg to DM 194.50.

Banks were mixed with Commerzbank 50 pfg off at DM 166.50, Deutsche Bank DM 1 up at DM 364.50 ex-dividend and BHF Bank DM 1 lower at DM 270 after reporting a 3.3 per cent rise in operating profit for the first four months.

Bonds were barely steady as the Bundesbank bought DM 3.4m in paper after selling DM 24.50m worth on Wednesday.

The Commerzbank index finished the day 2.1 up at 1,017.9.

The new monthly trading account was finally felt in **Paris**, although the upsurge of the dollar against the franc and the strong performance in Tokyo contributed to the buoyancy.

In foods, Pernod advanced FFr 9 to FFr 781, while retailer Carrefour rose FFr 14 to FFr 1,699. Legrand added a further FFr 59 to FFr 1,929, and L'Oréal held a FFr 60 gain at FFr 2,470.

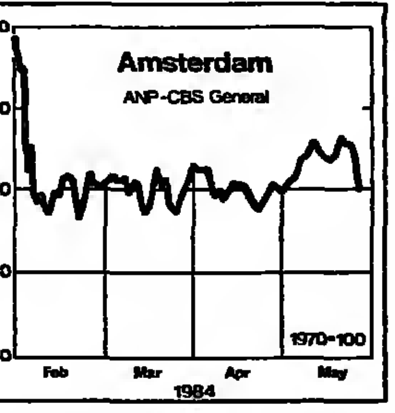
Dumez in constructions continued to lose ground with another fall of FFr 2 to FFr 686, although Lafarge Coppée erased some of its recent setbacks with a FFr 10.60 boost to FFr 383.

Dutch institutional and foreign investors took to the sidelines as **Amsterdam** was weigbed down by Wall Street's recent performance. The ANP-CBS General index lost 1.4 to 161.3.

The insurance sector moved against the trend as Amev, up Fl 3 at Fl 151, reported higher than expected first quarter results.

Banks were weak with ABN down Fl 5.50 to Fl 343 and NMB off Fl 2.80 to Fl 136.50.

In internationals, Royal Dutch, 80 cents ahead in early trading, slipped Fl 1.80 to Fl 159 as it announced receipt of tenders for 94 per cent of Shell Oil. The later loss was attributed to the firmer dollar.




Bonds were *steady to slightly* lower in thin trading.

Thin volume in **Brussels** and caution over sluggisb foreign markets forced many sectors mixed, although the stock excbange index edged up 1.05 to 154.11.

Petrofina, whicb moved ex-dividend on Tuesday, managed to add a furtber BFr 150 to BFr 7,280, with other oil related issues rising in sympathy.

Banking issues edged higber in **Zurich** with Bank Leu SwFr 40 up at SwFr 3,940 thus reversing some of its losses since the banking secrecy referendum.

Bonds were mixed in thin trading amid interest rate fears.

**Madrid** turned lower, with food and construction issues leading the way, while a late retreat in **Milan** trimmed some but not all of the early gains. Montedison responded to group forecasts of breaking even this year with a L8.8 rise to L218.

Volvo, SKr 9 higber at SKr 475, was the bright performer in a mixed to lower **Stockholm** while Saab-Scania put on SKr 1 to SKr 393 as the group introduced a new range of cars.

TOKYO

# Swift turn back to upward path

THE LOSING streak in Tokyo share prices halted yesterday, with the Nikkei-Dow average scoring its fourth largest gain in history, *writes Shigeo Nishiwaki of Jiji Press.*

The 225-issue indicator rocketed 228.26 to 10,251.72, with gains outnumbering losses by a wide margin of 532 to 156 and 131 shares remaining unchanged. Trading was slow, totalling 262.35m shares compared with 246.26m the previous day. Unitika was volume leader, with 13.44m shares changing hands, followed by Asahi Chemical with 11.53m, and Daiichi Seiyaku with 7.79m.

The Nikkei-Dow, after bitting an all-time high on May 4, had lost 1,166 points or 10.4 per cent by Wednesday. Investors apparently judged that stock prices had bottomed out, as the index had managed to finish above 10,000 the preceding two days after tumbling below that level at one stage.

Investors were further encouraged by the firmness of Japanese stocks like Matsushita Electric Industrial on Wall Street and the yen's rally against the U.S. dollar in Tokyo.

Many securities bouses considered yesterday's only a technical rally. Blue chips were sought in the morning, but buying later shifted to speculative drugs and non-ferrous metal issues. Brokers took this to indicate that investors also were not confident of a continued rise.

As buying of electricals, car makers, precision instruments and non-ferrous metals dwindled, investor interest shifted to pharmaceuticals. Yamanoucbi and Muchida scored the day's limit gains of Y200 and Y500 respectively, at Y1,450 and Y5,210. Daiichi Seiyaku advanced Y110 to Y1,260.

Despite the yen's sharp rally against the dollar, trading remained slow on the bond market. Institutions continued to watcb U.S. interest rate movements cautiously and neither bougbt nor sold actively. The yield on 7.5 per cent government bonds maturing in January 1983 dipped from 7.40 per cent the previous day to 7.365 per cent.

*Prices at 3pm, May 24*

# NEW YORK STOCK EXCHANGE COMPOSITE PRICES

| 12 Month High | 12 Month Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 20½ | 13⅝ | AAR | .44 | 2.2 | 20 | 150 | 19¼ | 19⅝ | 19⅝ | -⅛ |
| 53 | 31½ | ACF | 1.40 | 2.7 | 142 | 421 | 52⅝ | 51⅞ | 52⅛ | -½ |
| 18⅝ | 13⅞ | AMF | .50 | 3.3 | | 277 | 15¼ | 15 | 15 | -⅛ |
| 41¼ | 26⅞ | AMR Cp | | | 5 | 3301 | 31 | 30⅛ | 30¼ | -⅞ |
| 20⅝ | 17⅛ | AMR | pf2.18 | 11 | | 46 | 20 | 19⅞ | 20 | |
| 41½ | 29⅝ | AMR | pf2.13 | 6.5 | | 224 | 33⅛ | 32 | 32½ | -¼ |
| 26⅞ | 23 | AMR | pf2.67 | 11 | | 3 | 23⅝ | 23¼ | 23¼ | |
| 16¼ | 8¼ | APL | | | 4 | 17 | 11 | 10⅞ | 10⅞ | -⅛ |
| 55¼ | 40¼ | ARA | 2.10 | 4.9 | 9 | 276 | 43½ | 42 | 42½ | -1⅛ |
| 74¼ | 50¼ | ASA | 3a | 5.0 | | 585 | 60¼ | 59¼ | 60¼ | +½ |
| 33¼ | 17 | AVX | a.32 | 1.6 | 15 | 64 | 20 | 19⅞ | 19⅞ | -½ |
| 53⅞ | 38¼ | AbtLab | 1.20 | 3.0 | 14 | 2644 | 41¼ | 40⅝ | 40⅝ | -1 |
| 30¼ | 23¼ | AccoWd | .60 | 2.3 | 17 | 4 | 26¼ | 26⅛ | 26¼ | -¼ |
| 27½ | 20 | AcmeC | .40 | 2.0 | | 83 | 20¼ | 20⅛ | 20⅛ | |
| 13 | 8⅝ | AcmeE | .32b | 3.7 | 24 | 13 | 8¼ | 8⅝ | 8⅝ | -¼ |
| 24⅞ | 11 | AdmDg | .04 | .3 | 7 | 95 | 12 | 11⅞ | 12 | -⅛ |
| 18⅜ | 15⅞ | AdaEx | 2.11e | 14 | | 37 | 15⅞ | 15½ | 15½ | -¼ |
| 13⅝ | 11 | AdmMt | .28 | 1.6 | 9 | 1 | 17½ | 17½ | 17½ | |
| 22 | 14½ | AdvSys | .61t | 5.3 | 13 | 240 | 14⅞ | d13½ | 13⅞ | -1⅛ |
| 18½ | 6¼ | Advest | .12 | 1.4 | 11 | 10 | 8⅝ | 8⅝ | 8⅝ | -⅛ |
| 37½ | 23⅛ | AMD | s | | 24 | 4379 | 30⅛ | 29½ | 29⅞ | -1 |
| 24⅝ | 10⅜ | Aerflx | s | | 10 | 57 | 11 | 10⅝ | 10⅝ | -⅛ |
| 43½ | 31½ | AetnLf | 2.64 | 8.4 | 17 | 764 | 32 | 31½ | 31½ | -⅛ |
| 59½ | 54⅝ | AetL | pf5.28e | 9.2 | | 107 | 57½ | 56 | 57½ | -½ |
| 37¼ | 17⅛ | Ahmns | 1.20 | 7.2 | 4 | 997 | 17½ | d16⅛ | 16⅝ | -⅞ |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

A-A-A ... B-B-B ... C-C-C ... D-D-D ... E-E-E ... F-F-F ... G-G-G ... H-H-H ... I-I-I ... J-J-J ... K-K-K ... L-L-L ... M-M-M ... N-N-N

# AMERICAN STOCK EXCHANGE COMPOSITE CLOSING PRICES

| 12 Month High | 12 Month Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 4⅞ | 2⅞ | AICPh | | | | 5 | 2⅞ | 2⅛ | 2⅛ | |
| 15¼ | 12⅞ | ALLab | n | | 16 | 12 | 12½ | d12¼ | 12¼ | -¼ |
| 7 | 2⅞ | vjAIMn | | | | 141 | 3⅞ | 3¼ | 3⅞ | |
| 4⅞ | 1¼ | ATI | | | | 67 | 1¼ | 1¼ | 1¼ | |
| 64 | 58¼ | ATTFd | n.92e | 1.5 | | 76 | 59⅛ | 59½ | 59½ | -⅛ |
| 6⅞ | 3⅞ | AcmePr | | | | 39 | 3⅞ | 3⅞ | 3⅞ | -⅛ |
| 19½ | 12¼ | AcmU | s .32 | 2.5 | 13 | 23 | 13¼ | 13 | 13 | -⅛ |
| 15⅞ | 9⅝ | Acton | s | | 10 | 243 | 14⅞ | 14⅞ | 14⅞ | -⅛ |
| 12 | 6 | Acton s | | 11 | 17. | 107 | 5⅞ | d5⅞ | 5¼ | -¼ |
| 6½ | 1⅞ | Actn | wt | | | 6 | 1⅞ | d1¼ | 1¼ | -⅛ |
| 6⅞ | 2⅞ | AdmRs | | | 8 | 36 | 3⅞ | 3 | 3 | |
| 30⅞ | 15⅞ | AdRusl | s.10 | .6 | 10 | 94 | 17¼ | 17½ | 17½ | -¼ |
| 28⅞ | 16 | Adobe | .24 | 1.1 | 15 | 136 | 21½ | 21⅜ | 21⅜ | -⅝ |
| 6½ | 3⅞ | AeglsCp | | | 15 | 53 | 8⅞ | 5⅞ | 5⅞ | |
| 6⅞ | 4 | Aeronca | | | 7 | 37 | 4⅞ | 4¼ | 4⅞ | +⅛ |
| 32½ | 21¼ | AlliHsp | .44 | 2.1 | 8 | a13 | 21½ | d21 | 21 | -⅛ |
| 47 | 38⅞ | AlliPub | .80 | 1.6 | 15 | 33 | 44⅞ | 43⅞ | 43¾ | -1⅛ |
| 17½ | 9⅞ | AltSw | .12e | .9 | 11 | 136 | 13⅞ | 13½ | 13½ | -⅛ |
| 15½ | 5⅞ | AirExp | | | | 15 | 6½ | 6½ | 6½ | -⅛ |
| 8⅞ | 4 | Alamc | n | | 6 | 45 | 4⅞ | 4½ | 4⅞ | |
| 33⅞ | 9½ | AlbaW | .20e | 2.0 | 6 | 21 | 10⅛ | 10 | 10 | -⅛ |
| 12¼ | 3⅞ | AlinTr | e | | | 9 | 3⅞ | d3¼ | 3¼ | -⅛ |
| 10½ | 5⅞ | Aloha | .48r | 5.7 | 3 | 1 | 8⅞ | 8⅞ | 8⅞ | |
| 38⅞ | 13¼ | Alphain | .05 | .3 | 19 | 35 | 14⅞ | 14⅞ | 14⅞ | -½ |
| 2⅞ | 1⅞ | Altex | | | | 48 | 1¼ | 1⅞ | 1⅞ | -⅛ |
| 11-16 | ⅞ | Altex | wt | | | 7 | 3-16 | 3-16 | 3-16 | |
| 36½ | 31 | Alcoa | pf3.75 | 12. | | z100 | 32½ | 32½ | 32½ | -¼ |
| 32½ | 11⅞ | AlzaCp | | | 70 | 55 | 15⅞ | 15¼ | 15½ | -¼ |
| 29⅞ | 11⅞ | Amdhl | s.20 | 1.7 | 13 | 2289 | 12⅞ | 12 | 12 | -⅞ |
| 35¼ | 12 | Amedco | .08 | .6 | 15 | 49 | 14¼ | 13⅞ | 13⅞ | -¼ |

Continued on Page 34

# WORLD STOCK MARKETS

## AUSTRIA

| May. 24 | Price Sch% | + or — |
|---|---|---|
| Creditanstalt | 211 | ...... |
| Goesser | 329 | +2 |
| Interunfall | 407 | ...... |
| Laenderbank | 208 | ...... |
| Perlmooser | 361 | ...... |
| Steyr-Daimler | 148 | ...... |
| Veitscher Mag | 216 | ...... |

## BELGIUM/LUXEMBOURG

| May 24 | Price Frs. | + or — |
|---|---|---|
| ARBED | 1,675 | -20 |
| Banq Int A Lux | 5,052 | +25 |
| Bekaert B | 4,000 | ...... |
| Ciment CBR | 2,465 | -5 |
| Cockerill | 898 | +3 |
| Delhaize | 4,850 | +30 |
| EBES | 2,550 | +10 |
| Electrobel | 7,100 | +100 |
| Fabrique Nat | 1,980 | -70 |
| GB Inno BM | 5,165 | +15 |
| GBL (Brux) | 2,340 | +40 |
| Gevaert | 3,290 | -15 |
| Hoboken | 5,890 | ...... |
| Intercom | 1,940 | -40 |
| Kredietbank | 7,480 | +30 |
| Pan Hldgs | 10,000 | ...... |
| Petrofina | 7,280 | +150 |
| Royale Belge | 9,550 | +60 |
| Soc. Gen. Banq | 6,255 | ...... |
| Soc. Gen. Belge | 1,865 | ...... |
| Sofina | 6,200 | ...... |
| Solvay | 4,325 | +105 |
| Traction el | 3,850 | +30 |
| UCB | 4,905 | +5 |
| Vieille Mont | 3,970 | -120 |

## DENMARK

| May 24 | Price Kr% | + or — |
|---|---|---|
| Aarhus Olie | 400 | -80 |
| Andelsbanken | 824 | ...... |
| Baltic Skand | 645 | ...... |
| CopHandelsbank | 933 | -2 |
| D. Sukkerfab | 610 | -10 |
| Danske Bank | 223 | -2 |
| East Asiatic | 177 | -1 |
| Forenede Brygg | 960 | ...... |
| Forenede Damp | 170 | ...... |
| GNT Hldg | 525 | -15 |
| I.S.S.B. | 540 | ...... |
| Jyske Bank | 520 | ...... |
| Novo Ind | 2,295 | -135 |
| Privatbanken | 230 | -3 |
| Provinsbanken | 310 | -5 |
| Smidth (F) | 215 | -5 |
| Sophus Berend | 1,185 | ...... |
| Superfos | 450 | -92 |

## FRANCE

[illegible]

## GERMANY

| May 24 | Price Dm. | + or — |
|---|---|---|
| AEG-Telef | 97.5 | -0.7 |
| Allianz Vers | 768 | -2 |
| BASF | 168.1 | +0.3 |
| Bayer | 170 | ...... |
| Bayer-Hypo | 291 | -1 |
| Bayer-Verein | 323 | -1 |
| BHF Bank | 270 | -1 |
| BMW | 386.5 | +2.9 |
| Brown Boveri | 210.2 | +0.2 |
| Commerzbank | 166.5 | -0.5 |
| Cont'l. Gummi. | 126.5 | +2.5 |
| Daimler Benz | 575 | +2.5 |
| Degussa | 380 | +1.5 |
| D'sche Babcock | 155 | -0.1 |
| Deutsche Bank | 364.5xd | +1 |
| Dresdner Bank | 171 | +0.8 |
| GHH | 149 | -1 |
| Hochtief | 620 | ...... |
| Hoechst | 175.8 | +0.8 |
| Hoesch Werke | 117.7 | -0.1 |
| Holzmann (P) | 431 | +3 |
| Horten | 194.5 | -0.5 |
| Kali und Salz | 203.8 | -4.9 |
| Karstadt | 259.5 | -3 |
| Kaufhof | 236.1 | -2.7 |
| KHD | 248 | +2.6 |
| Kloeckner | 62.7 | +1 |
| Krupp | 78 | ...... |
| Linde | 379 | +4 |
| Lufthansa | 134 | +0.9 |
| MAN | 147.5 | -0.5 |
| Mannesmann | 149.5 | -0.2 |
| Mercedes Hld | 498 | -0.8 |
| Metallgesell | 841.5 | +1.5 |
| Muench Rueck | 1,037 | -3 |
| Preussag | 266 | +1 |
| Rhein West Elect | 162.7 | -0.2 |
| Rosenthal | 232 | +3 |
| Schering | 339 | +1 |
| Siemens | 394.7 | +0.5 |
| Thyssen | 84.5 | ...... |
| Verta | 175.5 | +1.6 |
| Voba | 170 | +1 |
| V.E.W | 120.1 | +0.1 |
| Verein-West | 289 | ...... |
| Volkswagen | 195 | +4.5 |

## ITALY

| May 24 | Price Lire | + or — |
|---|---|---|
| Banca Com'le | 33,600 | ...... |
| Bastogi-IRBS | 124.4 | -4.2 |
| Centrale | 2,899 | +149 |
| Credito Varesino | 4,480 | +50 |
| Fiat | 4,105 | -24 |
| Finsider | 37 | +0.6 |
| Generali Assicur | 35,500 | +10 |
| Invest | 3,240 | ...... |
| Italcementi | 45,500 | +110 |
| Montedison | 218 | +8.8 |
| Olivetti | 5,120 | +5 |
| Pirelli Co | 8,660 | +70 |
| Pirelli Spa | 1,486 | +67 |
| Snia BPD | 1,583 | +13 |
| Tere Assic. | 11,588 | +289 |
| do. Pref | 9,101 | +181 |

## NETHERLANDS

[illegible]

## NORWAY

[illegible]

## SPAIN

[illegible]

## SWEDEN

[illegible]

## SWITZERLAND

[illegible]

## AUSTRALIA

[illegible]

## AUSTRALIA (continued)

[illegible]

## JAPAN

[illegible]

## HONG KONG

[illegible]

## JAPAN (continued)

| May. 24 | Price Yen | + or — |
|---|---|---|
| MHI | 239 | +8 |
| Mitsui Co | 342 | +3 |
| Mitsui Estate | 674 | -15 |
| Mitsukoshi | 341 | -2 |
| NGK Insulators | 728 | +13 |
| Nihon Cement | 202 | ...... |
| Nippon Denso | 1,470 | -60 |
| Nippon Elect | 1,220 | +40 |
| Nippon Express | 309 | +9 |
| Nippon Gakki | 605 | -3 |
| Nippon Kokan | 145 | +3 |
| Nippon Oil | 1,120 | +20 |
| Nippon Seiko | 520 | +5 |
| Nippon Shimpan | 551 | -4 |
| Nippon Steel | 165 | +7 |
| Nippon Suisan | 313 | ...... |
| NTV | 11,850 | +450 |
| Nippon Yusen | 236 | +2 |
| Nissan Motor | 631 | +1 |
| Nisshin Flour | 425 | +2 |
| Nisshin Steel | 209 | +6 |
| Nomura | 740 | +25 |
| Olympus | 849 | +14 |
| Omron Tateisi | 1,710 | ...... |
| Orient Leasing | 3,320 | -10 |
| Pioneer | 2,710 | +20 |
| Renown | 650 | +8 |
| Ricoh | 939 | +38 |
| Sankyo | 699 | +15 |
| Sanyo Elect | 494 | +9 |
| Sapporo | 410 | +10 |
| Sekisui Prefab | 555 | +4 |
| Seven Eleven | 8,200 | +190 |
| Sharp | 1,100 | +30 |
| Shimadzu | 633 | +31 |
| Shionogi | 615 | +25 |
| Shiseido | 1,080 | +30 |
| Sony | 3,400 | +70 |
| Stanley | 700 | ...... |
| S'tomo Bank | 1,060 | -20 |
| S'tomo Elect | 840 | +23 |
| S'tomo Marine | 412 | +8 |
| S'tomo Metal | 170 | +4 |
| Taihei Dengyo | 480 | +5 |
| Taisei Corp | 211 | ...... |
| Taisho Pharm | 810 | +84 |
| Takeda | 724 | +58 |
| TDK | 5,350 | +130 |
| Teijin | 379 | +11 |
| Teikoku Oil | 720 | ...... |
| Tokyo Marine | 572 | +9 |
| TBS | 791 | +40 |
| Tokyo Elect Pwr | 1,160 | +50 |
| Tokyo Gas | 161 | +7 |
| Tokyo Sanyo | 731 | +2 |
| Tokyo Stylic | 780 | -5 |
| Tokyu Corp | 300 | +2 |
| Toppan Print | 743 | +23 |
| Toray | 425 | +83 |
| Toshiba Elect | 390 | +8 |
| TOTO | 568 | +10 |
| Toyo Seikan | 736 | +7 |
| Toyota Motor | 1,320 | +30 |
| Victor | 2,440 | -30 |
| Wacoal | 760 | +10 |
| Yamaha | 520 | +6 |
| Yamanouchi | 1,450 | +200 |
| Yamazaki | 685 | +30 |
| Yasuda Fire | 300 | +12 |
| Yokogawa Bdge. | 407 | +3 |

## SINGAPORE

[illegible]

## SOUTH AFRICA

[illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

## CANADA

### TORONTO

*Prices at 2.30 pm*
*May 24*

[illegible]

### MONTREAL

*Closing prices May 23*

[illegible]

## OVER-THE-COUNTER

*Nasdaq national market, 2.30pm prices*

[illegible]

Continued on Page 42

## LONDON

**Chief price changes**
(in pence unless otherwise indicated)

**RISES**

| | | |
|---|---|---|
| Copydex | 155 | +15 |
| Sandhurst Mktg. | 158 | +8 |

**FALLS**

| | | |
|---|---|---|
| Tr. 11½pc 1989 | £98¾ | -£1¼ |
| Tr. 14pc 1998-01 | £114⅞ | -£2⅛ |
| Allied-Lyons | 158 | -8 |
| BOC | 244 | -14 |
| BTR | 460 | -12 |
| Barclays | 455 | -20 |
| Barratt | 96 | -8 |
| Bowater | 270 | -10 |
| Cadbury Sch. | 124 | -5 |
| Cater Allen | 480 | -25 |
| Cons. (C&F) | 45 | -13 |
| Distillers | 280 | -7 |
| GEC | 164 | -6 |
| Goldberg (A) | 87 | -14 |
| GKN | 177 | -6 |
| Hanson Trust | 217 | -12 |
| ICI | 546 | -12 |
| Land Sec. | 262 | -7 |
| Lucas | 200 | -10 |
| Meyer Intl. | 119 | -9 |
| NatWest Bank | 600 | -22 |
| Plessey | 200 | -6 |
| Strong & Fisher | 143 | -15 |
| TE | 228 | -8 |
| Weeks Assocs | 15 | -3 |
| BP | 497 | -16 |
| Britoil | 240 | -7 |
| Lasmo | 301 | -9 |

# Indices

## NEW YORK-DOW JONES

| | May 24 | May 23 | May 22 | May 21 | May 18 | May 17 | 1984 High | 1984 Low | Since Compilat'n High | Since Compilat'n Low |
|---|---|---|---|---|---|---|---|---|---|---|
| Industrials | 1103.43 | 1113.8 | 1116.52 | 1125.31 | 1133.79 | 1142.27 | 1286.64 (6/1) | 1000.8 (16/4) | 1287.2 (29/11/83) | 41.22 (2/7/32) |
| Transport | 461.32 | 468.11 | 470.69 | 470.47 | 474.85 | 480.35 | 612.63 (6/1) | 464.11 (23/5) | 612.63 (6/1/84) | 12.23 (8/7/32) |
| Utilities | 123.55 | 124.71 | 125.15 | 125.82 | 127.31 | 127.99 | 134.83 (6/1) | 123.7 (23/5) | 163.32 (20/4/69) | 10.05 (28/4/42) |
| Trading vol 1000's | 9999 | - | - | - | - | 9831 | - | - | - | - |

| | May 16 | May 11 | May 4 | (Year Ago Approx) |
|---|---|---|---|---|
| Ind div yield % | 4.94 | 4.79 | 4.75 | 4.89 |

## STANDARD AND POORS

| | May 24 | May 23 | May 22 | May 21 | May 18 | May 17 | 1984 High | 1984 Low | Since Compilat'n High | Since Compilat'n Low |
|---|---|---|---|---|---|---|---|---|---|---|
| Industrials | 171.87 | 173.88 | 174.85 | 175.62 | 176.78 | 177.79 | 190.84 (6/1) | 173.88 (23/5) | 183.22 (22/9/83) | 3.52 (30/6/32) |
| Composite | 151.24 | 153.15 | 153.88 | 154.73 | 155.78 | 156.57 | 169.28 (6/1) | 153.15 (23/5) | 170.98 (22/9/83) | 4.4 (1/6/32) |

| | May 23 | May 16 | May 9 | Year Ago (Approx) |
|---|---|---|---|---|
| Ind div yield % | 4.23 | 4.19 | 3.99 | 3.92 |
| Ind. P/E Ratio | 11.76 | 12.13 | 12.28 | 14.18 |
| Long Gov Bond Yield | 13.48 | 13.33 | 13.11 | 10.68 |

## New York Active Stocks

| Thursday | Stocks Traded | 3.00 p.m. Price | Change on Day |
|---|---|---|---|
| Esmark | 2,380,400 | 50⅝ | +⅛ |
| Exxon | 1,507,900 | 40 | -1⅞ |
| Cont Ill | 1,258,900 | 7⅞ | -½ |
| Ohio Ed | 1,225,500 | 11½ | -⅜ |
| Beatrice Fd | 1,150,800 | 28⅜ | - |
| ATT | 1,109,800 | 15½ | -¼ |
| Fanny Mae | 1,002,000 | 12⅛ | -½ |
| Mfrs Han | 994,900 | 27⅜ | -3⅜ |
| Disney | 883,200 | 65⅛ | -1⅛ |
| IBM Corp | 945,400 | 109⅝ | -1⅝ |

## N.Y.S.E. ALL COMMON

| May 24 | May 23 | May 22 | May 21 | 1984 High | 1984 Low |
|---|---|---|---|---|---|
| - | - | - | - | 442.62 (6/5) | 79.75 (24/1) |

## RISES AND FALLS

| | May 24 | May 23 | May 22 |
|---|---|---|---|
| Issues traded | 974 | 1987 | 992 |
| Rises | 381 | 606 | 421 |
| Falls | 339 | 899 | 184 |
| Unchanged | 334 | 483 | 387 |

# AMERICAN STOCK EXCHANGE CLOSING PRICES

Continued from Page 33

[illegible]

# LONDON STOCK EXCHANGE

## MARKET REPORT

# Gilts depressed by U.S. banking fears and equities follow—index drops 21.2 at 826.4

**Account Dealing Dates**

| Option *First Dealings | Declarations | Last Dealings | Account Day |
|---|---|---|---|
| Apr 30 | May 10 | May 11 | May 21 |
| May 14 | May 31 | June 1 | June 11 |
| June 4 | June 14 | June 15 | June 25 |

* "New-time" dealings may take place from 8.30 am two business days earlier.

Rumours that another major American bank, **Manufacturers Hanover Corporation**, was in financial difficulties — which were subsequently denied — ensured another thoroughly depressing trading session in London financial markets yesterday. Government stocks tumbled sharply and leading equities followed. Measuring the extent of the reaction in the latter, the FT Industrial Ordinary share index recorded its second biggest-ever one-day fall *with a loss of 21.2 at 826.4*; making a slump of 49.8 over the last three days.

The Chancellor's statement aimed at calming current fears about the public sector borrowing requirement and money supply, although a major talking point, made scant impression, market sentiment being influenced by the fall in sterling against the U.S. dollar and the overnight setback in American bonds. Firming UK money market rates also contributed to the malaise and long-dated Gilts opened up to ¾ lower. The initial mark-down, however, failed to deter some heavy selling and quotations fell away further as market confidence deteriorated against the backdrop of the U.S. banking rumours. Falls in the longs stretched to over two points at the close while losses in the shorts ranged to 1¼. The Government Securities index, down 1.16 at 78.11 recorded its biggest fall since January 24 1983.

The tone in equity markets was no worse than quietly dull at the outset, but quotations began to wilt in the face of the sharp setback in Government stocks. Once again, leading Electricals encountered sizeable selling, but elsewhere, offerings were usually small and the later reaction owed much to the continuing dearth of buyers. There were few signs of any worthwhile rally in the late dealings and closing falls which ranged to 14 and sometimes more in the blue chips were around the day's lowest.

Clearing banks became a particularly weak market and finished up to 22 down. Among the other sectors, Properties took a late turn for the worse, while Oil shares sustained heavy losses despite increasing Middle East tension.

### Clearers depressed

Rumours of yet another major U.S. bank in financial difficulties demoralised the major clearing banks. Deserted by buyers since Continental Illinois Bank of Chicago's troubles were recently made public, the clearers fell sharply again yesterday and ended with closing falls ranging to 22. **NatWest** lost that much to 600p, while **Barclays** fell 20 to 455p. **Lloyds** gave up 18 at 522p and **Midland** dropped 13 to 347p. Elsewhere, **Cater Allen** lost 25 to 480p following news of the proposed £9.4m rights issue and other Discount Houses, recently favoured on rationalisation hopes, drifted lower in sympathy. **Seccombe Marshall and Campion** declined 10 to 340p, as did **Union**, to 745p. Merchant banks came on offer with **Mercury Securities** notable for a loss of 17 at 538p. **Hambros** relinquished 5 to 140p and **Guinness Peat** dipped 3 to 54p. Bid chestnut, **Minster Assets**, closed a couple of pence easier at 135p following the annual results.

Insurances succumbed to the malaise. Sporadic bouts of selling in an unwilling market left double-figure falls in places. **General Accident** lost 15 to 435p and **Sun Alliance** declined 17 to 343p among Composites, while **Legal and General**, 442p, and **Prudential**, 453p, cheapened 10 and 12 respectively in *Life* issues.

Both newcomers to the Unlisted Securities Market registered useful premiums despite the surrounding gloom. Reinsurance brokers **Steel Burrill Jones** touched 140p before closing at 130p compared with the placing price of 110p. Computer concern **Microvitec**, offered at 180p, touched 200p prior to closing at 190p. **PetroGen**, which made a subdued USM debut on Tuesday, attracted support after a Press mention and added 3 to 54p.

A shade firmer at the outset with sentiment buoyed by favourable comment on the excellent mid-term figures from Bass, leading Breweries failed to attract follow-through support and drifted throughout the session to close at the day's lowest. **Bass**, up to 383p earlier, finished a net 3 cheaper at 375p, while **Allied-Lyons**, scheduled to reveal annual results next Tuesday, closed 6 down at 158p, after 166p. A batch of trading results failed to inspire regionals. South London concern **Young** eased 10 to 245p despite the near-20 per cent full-year profits expansion, but **Wolverhampton and Dudley** announced first-half figures at the lower end of market estimates and dipped 8 to 232p. Elsewhere, **Distillers** remained friendless and shed 7 for a two-day loss of 16 at 280p, while further consideration of the interim statement clipped 4 more from **Irish Distillers**, 156p.

The dull tone apparent in the Building sector became more pronounced as the session wore on and prices settled at the day's lowest. Among the leaders, **Barratt Developments** were again vulnerable to selling and shed 6 to a low for the year of 96p. **AMEC** fell 7 to 208p and **Taylor Woodrow** lost 15 to 665p. **Costain** gave up 4 to 280p and **George Wimpey** a couple of pence to 121p, while **Marchwiel** fell 6 to 228p. **Blue Circle** were a relatively steady market and closed just 2 cheaper at 420p, but **Tarmac** ended 6 down at 450p and **BPB Industries** lost 7 to 298p. Timber issues remained in the doldrums, **Meyer International** falling 9 to a 1984 low of 119p and **Travis and Arnold** losing 7 to 305p. **Magnet and Southerns** shed 4 more to 150p.

**ICI** fluctuated narrowly around the lower opening level of 554p before falling away quite sharply in the late dealings to close a net 12 down at 546p for a three-day drop of 34. **Laporte** gave up 7 more to 448p. Elsewhere in the Chemical sector, USM-quoted **Mebon** attracted support following a newsletter tip and put on 7 to 123p.

Stores succumbed in the general trend and displayed double-figure falls in places, although once again, actual selling was relatively small. **Gussies "A,"** 568p, and **Woolworth**, 473p, declined 12 apiece, the former to record a two-day fall of 27. **British Home** eased 5 to a 1984 low of 196p, while **Habitat Mothercare**, preliminary results due next Thursday, dipped 8 to 290p. **Marks and Spencer** closed 6 off at 240p.

Secondary Stores highlighted **A. Goldberg** which slumped 14 to 87p following the warning on current trading that accompanied the full-year figures. **Fine Art Development** held at 65p despite revealing doubled preliminary profits, but further consideration of the chairman's bearish remarks clipped 10 more from **Rayford Supreme** at 215p. **Harris Queensway**, 366p, **Home Charm**, 152p, and **Steinberg**, 133p, all shed around 6, while the *liquidation* of speculative positions left **French Connection** 13 lower at 365p. **Readicut** eased a penny to 28½p as the market digested the sale of the bulk of Mr Joe Hyman's stake which reduced his holding to around 4 per cent.

Among Shoes, **Strong and Fisher** encountered late selling and closed 15 off at 143p, while **Newbold and Burton** eased 6 to 118p.

### Plessey easier

Electrical leaders again bore the brunt of some fairly heavy selling. **Plessey** touched 208p initially on satisfaction with the annual profits but reacted later to close 6 lower on balance at 200p, with late sentiment still affected by continuing suggestions that the group may bid for British Aerospace, currently in merger negotiations with Thorn EMI. **BAE** cheapened 8 to 332p and **Thorn EMI** gave up 3 to 550p, after 560p. **GEC** dropped 8 to 164p and **BICC** retreated 4 to 223p. Elsewhere, **Dubilier** gave up 12 to 160p and **AB Electronic** cheapened 10 to 495p. **Cable and Wireless** fell 10 to 320p, while **Standard Telephones and Cables** dropped 11 to 330p.

**TI**, 8 lower at 228p, led the retreat in the Engineering leaders. **GKN** relinquished 8 to 177p and **Hawker** cheapened 3 to 421p. Elsewhere, **Weeks Associates** dropped 3 to 15p on the poor results, while falls of 9 and 12 respectively were seen in **Simon**, 427p, and **Pegler-Hattersley**, 226p. **Haden** gave up 8 to 176p and **Baker Perkins** dipped 4 to 144p. Still unsettled by nationalisation compensation uncertainties, **Vosper** eased 5 more to 205p.

Casualties in the Food sector included **Cadbury Schweppes**, 5 off at 124p, and **Tate and Lyle**, a like amount down at a low for the year of 363p. **J. Sainsbury** ebbed 7 to 533p and **Tesco** eased 3 to 180p.

**Ladbroke** came under pressure in Hotels and Caterers and fell 10 to 222p. **Comfort** softened ½ to 46p on the rights issue proposal.

### U.S. favourites flat

Those miscellaneous industrial leaders, which have been particularly popular with American investors in the past suffered the biggest falls yesterday. **BOC** plummeted 14 to 244p, while **BTR**, 460p, **Glaxo**, 808p, and **Hanson Trust**, 217p, all ended 12 down. **Bowater** lost 10 afresh to 270p in front of today's annual meeting. Against the trend, **Pilkington** firmed 5 to 286p in response to the favourable results from its German subsidiary. Elsewhere, **Consultants** dropped 13 to 45p on the chairman's profits warning. **S. Pearson** fell 18 to 648p and **Granada** declined 10 further to 170p. **Polly Peck** dipped 13 to 260p and **Sidlaw** cheapened 20 to 430p; the latter on further consideration of the results. **Booker McConnell**, on the other hand, rose 3 to 124p, after 128p, on speculative buying fuelled by takeover hopes, while demand of a similar nature left **Copydex** 15 higher at 155p. The sharp jump in annual earnings and the proposed 100 per cent scrip-issue prompted an improvement of 12 to 505p in **Extel** and favourable trading news also helped **Sandhurst Marketing**, up 6 at 158p. **Avon Rubber** hardened 2 to 180p following the announcement that the Morgan Grenfell Special Exempt Fund owns a 8 per cent stake in the company. **Pauls and Whites** rose 7 to 250p on acquisition news.

**Harrison Cowley** hardened 5 to 150p on further consideration of the agreed offer from **Saatchi and Saatchi**, 20 off at 665p. **Fitch** firmed 10 to 305p in response to a favourable mention.

Relatively steady until later afternoon, leading Properties then fell back sharply as the tone deteriorated. **Land Securities** closed a net 7 down at 262p, while **MEPC** finished 4 off at 272p. **Hammerson A**, a shade firmer initially, slipped back to close a net 10 lower at 815p. **British Land**, 111p, and **Peachey**, 206p, both lost 4, while **Stock Conversion** shed 5 to 325p. **Sterling Guarantee's** preliminary profits exceeded market estimates, but the shares closed a penny easier at 49p. **Espley Trust** continued to wilt in the wake of the poor 15-month figures and shed 4 for a four-day fall of 36 to 54p. **C. H. Beazer** lost 13 to 375p and **Laing Properties** 6 to 256p. Estate agents **Connells** fell 7 to a 1984 low of 113p, but **Bairstow Eves** edged up a couple of pence to 99p.

### Oils weak

Apart from a brief rally in the early afternoon on news of further attacks on shipping in the Arabian Gulf, leading domestic oils remained under constant pressure and closed at the day's lowest levels.

**BP** posted a double-figure loss for the third successive day and closed 18 lower at 497p—a three-day fall of 43—while **Shell** dipped 8 to 672p, and **Britoil** 7 to 240p. **Ultramar** and **Tricentrol** fell 9 apiece to 584p and 201p respectively.

Second-line issues were equally weak and showed **Carless Capel** 7 cheaper at 223p, **Charterhouse** 9 off at 157p and **Saxon Oil** 8 lower at 350p.

Irish exploration stocks managed to register modest gains, *Bryson closing 10 firmer at 890p* and **Egliston** 3 up at 228p.

### Late rally in Golds

Mining markets drifted easier on lack of interest for much of the day but staged a minor rally in later after-hours trading following widespread rumours that a major U.S. bank is experiencing liquidity problems.

However, initial losses were fairly substantial and the late rally failed to prevent a further 9.1 decline to 633.7 in the Gold Mines index.

Bullion fell to around $375 an ounce in early trading but rallied to close only $0.75 lower at $377 per ounce.

Among the leading Golds, **Hartebeest** remained a nervous market in front of the dividend due next week and *fell £1⅜* more to £54½, while losses of around a full point were common to **Randfontein**, £104⅜, **Buffels**, £42½, and **Western Holdings**, £33⅞.

**Grootvlei** featured the cheaper priced issues and dipped 37 to 936p.

Financials mirrored the trend with "**Amgold**" £1½ easier at £81½ and **New Wits** 12 off at 673p. **Gold Fields of South Africa** were a fraction easier at £15⅝ following confirmation that **Anglo American Corporation** has increased its direct stake in the company to 8.9 per cent. On the other hand "**Johnnies**" posted a half-point gain at £93 and **De Beers** rallied 3 to 515p.

London Financials continued to suffer from the widespread weakness throughout domestic equities. **RTZ** were particularly unsettled and fell 11 to a 1984 low of 592p in the wake of the chairman's remarks at the annual meeting, while **Consolidated Gold Fields** gave up 10 to 535p and **Charter Consolidated** 8 to 215p. **Hampton Areas** eased a couple of pence to 213p.

Australians encountered renewed selling following another gloomy performance by overnight Sydney and Melbourne markets, which continued to lose ground in the wake of London, Wall Street and far eastern markets.

The leaders made an attempt at a rally in initial trading but this petered out with the notable exception of **CRA** which held an early gain of 6 at 332p. **Peko-Wallsend** fell away to close a net 4 easier at a year's low of 292p, after 298p, while **Bougainville** dipped a similar amount to 141p and leading gold issue **Gold Mines of Kalgoorlie** 10 to 590p.

A lively evenly-balanced business developed in Traded Options with 2,946 calls and 2,780 puts transacted. Once again, substantial interest was shown for the FTSE 100 index which attracted 667 calls and 986 puts. GEC and ICI recorded 312 puts apiece, while 185 of the latter's third series struck in the July 560s. Commercial Union continued to attract call operators and recorded 446 trades with 257 done in the July 240s.

## OPTIONS

| First Dealings | Last Dealings | Last Declaration | For Settlement |
|---|---|---|---|
| May 21 | June 8 | Aug 30 | Sept 10 |
| June 11 | June 22 | Sept 13 | Sept 24 |
| June 25 | July 6 | Sept 27 | Oct 8 |

*For rate indications see end of Share Information Service.*

Money was given for the call in **Microvitec**, **Gestetner A**, **Tozer Kemsley and Millbourn**, **Booker McConnell**, **Automotive Products**, **Moben**, **British Aerospace**, **GEC**, **ICL**, **Intervision**, **Petbow**, **Bristol Oil and Minerals**, **Dunhill**, **Metal Box**, **Raybeck**, **Unitech**, **Sound Diffusion**, **Tomkinsons**, **Stylo**, **Stakis**, **Cosalt**, **PetroGen**, **Brengreen**, **United Guarantee**, **Woolworth**, **Grindlays**, **Keep Trust** and *Blackwood Hodge*. A put was taken out in **Barratt Developments**, while doubles were arranged in **Petranol** and **Tricentrol**.

## FINANCIAL TIMES STOCK INDICES

| | May 24 | May 23 | May 22 | May 21 | May 18 | May 17 | year ago |
|---|---|---|---|---|---|---|---|
| Government Secs | 78.11 | 79.27 | 79.30 | 79.70 | 79.60 | 79.95 | 82.08 |
| Fixed Interest | 83.29 | 84.09 | 84.12 | 84.50 | 84.57 | 84.74 | 83.79 |
| Industrial Ord. | 826.4 | 847.6 | 866.3 | 875.8 | 874.4 | 884.5 | 708.3 |
| Gold Mines | 633.7 | 642.8 | 656.2 | 662.4 | 637.8 | 645.4 | 631.0 |
| Ord. Div. Yield | 4.79 | 4.80 | 4.55 | 4.45 | 4.47 | 4.48 | 4.67 |
| Earnings, Yld.% (full) | 10.96 | 10.71 | 10.01 | 10.57 | 10.40 | 10.29 | 9.90 |
| P/E Ratio (net) (*) | 11.00 | 11.29 | 11.56 | 11.05 | 11.60 | 11.78 | 12.22 |
| Total bargains (Est.) | 21,681 | 21,588 | 21,464 | 21,660 | 21,000 | 21,893 | 20,038 |
| Equity turnover £m. | — | 588.51 | 289.07 | 209.60 | 282.24 | 607.05 | 289.81 |
| Equity bargains | — | 18,409 | 16,868 | 10,577 | 10,277 | 18,603 | 17,810 |
| Shares traded (ml) | — | 200.4 | 158.7 | 168.7 | 201.2 | 161.1 | 154.7 |

10 am 845.7. 11 am 840.1. Noon 836.4. 1 pm 837.1. 2 pm 837.5. 3 pm 837.3.

Basis 100 Govt. Secs. 8/1/56. Fixed Int. 1928. Industrial 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

Latest index 01-246 8026.

*Nil=10.48.

## HIGHS AND LOWS

| | 1984 High | 1984 Low | Since Compilat'n High | Since Compilat'n Low |
|---|---|---|---|---|
| Govt. Secs. | 81.77 (6/1) | 78.11 (24/5) | 127.4 (9/1/35) | 49.18 (3/1/75) |
| Fixed Int. | 87.48 (14/3) | 85.22 (24/5) | 155.4 (28/11/47) | 50.00 (31/1/75) |
| Ind. Ord. | 929.5 (5/5) | 770.3 (4/1) | 228.8 (5/5/84) | 42.4 (26/6/40) |
| Gold Mines | 711.7 (9/3) | 520.2 (17/1) | 734.7 (15/2/83) | 43.5 (28/10/71) |

## S.E. ACTIVITY

| | May 20 | May 22 |
|---|---|---|
| **Daily** | | |
| Gilt Edged Bargains | 141.1 | 147.6 |
| Equities Bargains | 110.5 | 122.2 |
| Equities Value | 784.6 | 626.3 |
| **5-day Average** | | |
| Gilt Edged Bargains | 144.3 | 146.7 |
| Equities Bargains | 120.0 | 110.6 |
| Equities Value | 603.5 | 573.4 |

## FT-ACTUARIES SHARE INDICES

**These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries**

**EQUITY GROUPS & SUB-SECTIONS**

Figures in parentheses show number of stocks per section

| | Thurs May 24 1984 Index No. | Day's Change % | Est. Earning Yield % (Max.) | Gross Div. Yield % (ACT at 30%) | Est. P/E Ratio (Net) | Wed May 23 Index No. | Tues May 22 Index No. | Mon May 21 Index No. | Fri May 18 Index No. | Year ago (approx.) Index No. |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 CAPITAL GOODS (203) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 2 Building Materials (24) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 3 Contracting, Construction (32) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 4 Electricals (14) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 5 Electronics (38) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 6 Mechanical Engineering (62) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 8 Metals and Metal Forming (9) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 9 Motors (17) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 10 Other Industrial Materials (17) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 21 CONSUMER GROUP (194) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 22 Brewers and Distillers (23) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 25 Food Manufacturing (22) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 26 Food Retailing (12) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 27 Health and Household Products (9) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 29 Leisure (23) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 31 Newspapers, Publishing (13) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 32 Packaging and Paper (15) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 34 Stores (46) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 35 Textiles (20) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 36 Tobaccos (3) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 39 Other Consumer (8) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 41 OTHER GROUPS (87) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 42 Chemicals (18) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 44 Office Equipment (4) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 45 Shipping and Transport (14) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 46 Miscellaneous (51) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 49 INDUSTRIAL GROUP (484) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 51 Oils (16) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 59 500 SHARE INDEX | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 61 FINANCIAL GROUP (120) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 62 Banks (6) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 63 Discount Houses (7) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 65 Insurance (Life) (9) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 66 Insurance (Composite) (9) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 67 Insurance (Brokers) (6) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 68 Merchant Banks (12) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 69 Property (53) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 70 Other Financial (16) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 71 Investment Trusts (106) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 81 Mining Finance (4) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 91 Overseas Traders (16) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 99 ALL-SHARE INDEX (746) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| FT-SE 100 SHARE INDEX | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

### FIXED INTEREST

| PRICE INDICES | Thurs May 24 | Day's change % | Wed May 23 | xd adj. today | xd adj. 1984 to date |
|---|---|---|---|---|---|
| **British Government** | | | | | |
| 1 5 years | 114.86 | -0.78 | 115.66 | — | 4.95 |
| 2 5-15 years | 124.64 | -1.44 | 126.72 | — | 4.92 |
| 3 Over 15 years | 132.48 | -1.78 | 134.88 | — | 4.82 |
| 4 Irredeemables | 141.58 | -1.49 | 144.02 | — | [illegible] |
| 5 All stocks | 124.10 | -1.37 | 125.83 | — | 4.95 |
| 6 Debentures & Loans | 104.39 | -0.80 | 105.23 | — | 4.47 |
| 7 Preference | 77.77 | -0.40 | 78.09 | — | 2.84 |

| AVERAGE GROSS REDEMPTION YIELDS | Thurs May 24 | Wed May 23 | Year ago (approx.) |
|---|---|---|---|
| **British Government** | | | |
| 1 Low Coupons 5 years | [illegible] | [illegible] | [illegible] |
| 2 Low Coupons 15 years | [illegible] | [illegible] | [illegible] |
| 3 Low Coupons 25 years | [illegible] | [illegible] | [illegible] |
| 4 Medium Coupons 5 years | [illegible] | [illegible] | [illegible] |
| 5 Medium Coupons 15 years | [illegible] | [illegible] | [illegible] |
| 6 Medium Coupons 25 years | [illegible] | [illegible] | [illegible] |
| 7 High Coupons 5 years | [illegible] | [illegible] | [illegible] |
| 8 High Coupons 15 years | [illegible] | [illegible] | [illegible] |
| 9 High Coupons 25 years | [illegible] | [illegible] | [illegible] |
| 10 Irredeemables | [illegible] | [illegible] | [illegible] |
| 11 Debs & Loans 5 years | [illegible] | [illegible] | [illegible] |
| 12 Debs & Loans 15 years | [illegible] | [illegible] | [illegible] |
| 13 Debs & Loans 25 years | [illegible] | [illegible] | [illegible] |
| 14 Preference | [illegible] | [illegible] | [illegible] |

†Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 28p.

## RECENT ISSUES

### EQUITIES

| Issue price p | Amount paid up | Latest Renunc. date | 1984 High | 1984 Low | Stock | Closing price p | + or − | Net Div. | Times covered | Gross Yield | P/E Ratio |
|---|---|---|---|---|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

### FIXED INTEREST STOCKS

| Issue price £ | Amount paid up | Latest Renunc. date | 1984 High | 1984 Low | Stock | Closing price £ | + or − |
|---|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

### "RIGHTS" OFFERS

| Issue price p | Amount paid up | Latest Renunc. date | 1984 High | 1984 Low | Stock | Closing price p | + or − |
|---|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. g Assumed dividend and yield. u Forecast dividend cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1985. H Dividend and yield based on prospectus or other official estimates for 1983-84. Q Gross. p Pence unless otherwise indicated. † Issued by tender. ‡ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶ Issued in connection with reorganisation, merger or takeover. ‖ Allotment letters (or fully-paid). ■ Introduction. □ Unlisted Securities Market. ‡ Placing price. †† Official London Listing. ‡ No par value.

## ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

| Stock | Closing price | Day's change |
|---|---|---|
| Barratt Devs | 96 | −6 |
| Booker McConnell | 124 | +3 |
| BP | 497 | −18 |
| Bristol | [illegible] | [illegible] |
| Hanson Trust | 217 | −12 |
| ICI | 546 | −12 |
| Ladbroke | 222 | −10 |
| NatWest Bank | 600 | −20 |
| Plessey | 200 | −6 |
| RTZ | 592 | −11 |
| Ultramar | 584 | −9 |

Based on bargains recorded in Stock Exchange Official List.

## WEDNESDAY'S ACTIVE STOCKS

| Stock | No. of changes | Wed. close | Day's change |
|---|---|---|---|
| Bowater | [illegible] | [illegible] | [illegible] |
| Hanson Trust | [illegible] | [illegible] | [illegible] |
| Waterford Glass | [illegible] | [illegible] | [illegible] |
| ICI | [illegible] | [illegible] | [illegible] |
| Petranol | [illegible] | [illegible] | [illegible] |
| BTR | [illegible] | [illegible] | [illegible] |
| [illegible] | [illegible] | [illegible] | [illegible] |

## NEW HIGHS AND LOWS FOR 1984

**NEW HIGHS (10)**

FOREIGN BONDS (1)
Hung. '24 Ass.
AMERICANS (2)
BANKS (1)
BREWERS (1)
CHEMICALS (1)
INDUSTRIALS (3)
NEWSPAPERS (1)

**NEW LOWS (311)**

BRITISH FUNDS (57)
INT. BANK & O'SEAS GOVT. STLG. ISSUES (11)
CORPORATION LOANS (10)
COMMONWEALTH & AFRICAN LOANS (5)
AMERICANS (5)
CANADIANS (2)
BANKS (11)
BUILDINGS (19)
CHEMICALS (13)
STORES (16)
ELECTRICALS (11)
ENGINEERING (25)
FOODS (9)
INDUSTRIALS (33)
INSURANCE (2)
LEISURE (3)
PAPERS (3)
PROPERTY (7)
SHIPPING (2)
TEXTILES (2)
TRUSTS (44)
OILS (15)
MINES (11)

## RISES AND FALLS YESTERDAY

| | Rises | Falls | Same |
|---|---|---|---|
| British Funds | — | 104 | — |
| Corpns. Dom. and Foreign Bonds | 1 | 41 | 38 |
| Industrials | 100 | 536 | 880 |
| Financial and Props. | 46 | 243 | 230 |
| Oils | 13 | 54 | 51 |
| Plantations | — | 7 | 6 |
| Mines | 12 | 82 | 86 |
| Others | 15 | 50 | 78 |
| Totals | 203 | 1,217 | 1,179 |

## EUROPEAN OPTIONS EXCHANGE

| Series | Aug. Vol. | Aug. Last | Nov. Vol. | Nov. Last | Feb. Vol. | Feb. Last | Stock |
|---|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

TOTAL VOLUME IN CONTRACTS 21,753

A=Ask B=Bid C=Call P=Put

## LONDON TRADED OPTIONS

| Option | Calls July | Calls Oct. | Calls Jan. | Puts July | Puts Oct. | Puts Jan. |
|---|---|---|---|---|---|---|
| B.P. | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Cons. Gold | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Courtaulds | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Com. Union | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| G.E.C. | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Grand Met. | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| I.C.I. | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Land Sec. | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Marks & Spencer | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Shell Trans. | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

| Option | Calls Aug. | Calls Nov. | Calls Feb. | Puts Aug. | Puts Nov. | Puts Feb. |
|---|---|---|---|---|---|---|
| LASMO | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Lonrho | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| P. & O. | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Racal | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| R.T.Z. | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Vaal Reefs | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Barclays | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Imperial Gp. | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

| Option | Calls June | Calls Sep. | Calls Dec. | Puts June | Puts Sep. | Puts Dec. |
|---|---|---|---|---|---|---|
| Beecham | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Boots | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| De Beers | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Guest Keen | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Hanson | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Tesco | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| FT-SE Index | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

May 24 Total Contracts 5,726. Calls 2,946. Puts 2,780.

*Underlying security price.

# FT LONDON SHARE INFORMATION SERVICE

## BRITISH FUNDS

### "Shorts" (Lives up to Five Years)

| 1984 High | Low | Stock | Price £ | + or − | Yield Int. | Red. |
|---|---|---|---|---|---|---|
| 101[illegible] | 100[illegible] | Treas 12pc 1984 | 100¼ | −⅛ | 11.91 | 9.38 |
| 105[illegible] | 103[illegible] | Treas. 15pc 1985 | 103[illegible] | −[illegible] | 14.51 | 10.08 |
| 102[illegible] | 101¼ | Exch. 12pc Cnv. '85 | 101[illegible] | −[illegible] | 11.84 | 10.11 |
| 95[illegible] | 91[illegible] | Treas. 3pc 1985 | 94¼ | −¼ | 3.18 | 9.21 |
| 102[illegible] | 100[illegible] | Treas 11½pc 1985 | 100¾ | −[illegible] | 11.41 | 10.74 |
| 99[illegible] | 97[illegible] | Treas 8¾pc Cnv '85 | 97[illegible] | −[illegible] | 8.96 | 10.71 |
| 104[illegible] | 101[illegible] | Exch. 11¼pc 1985 | 101[illegible] | −[illegible] | 12.08 | 11.19 |
| 103[illegible] | 100¼ | Exch. 11¾pc '86 | 100[illegible] | −[illegible] | 11.66 | 11.21 |
| 102[illegible] | 97[illegible] | Treas. 10pc Cnv 1986 | 97[illegible] | −[illegible] | 10.32 | 11.25 |
| 90[illegible] | 88¼ | Treas 3pc 1986 | 88[illegible] | −[illegible] | 3.39 | 9.42 |
| 102 | 98[illegible] | Exch. 10½pc Cv '86 | 98[illegible] | −[illegible] | 10.65 | 11.38 |
| 104[illegible] | 100[illegible] | Treas 12pc 1986 | 100[illegible] | −[illegible] | 11.89 | 11.48 |
| 96[illegible] | 94½ | Treas 8½pc 1984-86‡‡ | 94½ | −[illegible] | 8.99 | 11.46 |
| 108[illegible] | 104[illegible] | Exch. 14pc 1986 | 104[illegible] | −[illegible] | 13.36 | 11.62 |
| 87[illegible] | 85 | Exch. 2½pc 1986 | 85[illegible] | −[illegible] | 2.93 | 9.20 |
| 107[illegible] | 103[illegible] | Exch. 13¼pc 1987 | 103[illegible] | −[illegible] | 11.83 | 11.70 |
| 100[illegible] | 96[illegible] | Treas 10¼%Cv '87 | 96[illegible] | −[illegible] | 10.61 | 11.69 |
| 86[illegible] | 83[illegible] | Exch 2½pc 1987 | 83[illegible] | −[illegible] | 3.00 | 9.49 |
| 101[illegible] | 96[illegible] | Exch. 10½pc 1987 | 96[illegible] | −[illegible] | 10.84 | 11.78 |
| 92[illegible] | 88½ | Funding 6½pc '85-87‡‡ | 88½ | −½ | 7.34 | 11.20 |
| 99[illegible] | 95½ | Treas. 10pc 1987 | 95[illegible] | −[illegible] | 10.47 | 11.82 |
| 85 | 81[illegible] | Treas 3pc 1987 | 81[illegible] | −[illegible] | 3.68 | 9.95 |
| 105 | 100[illegible] | Treas. 11pc 1987 | 100[illegible] | −[illegible] | 11.96 | 11.83 |
| 94[illegible] | 89[illegible] | Treas 7¾pc 1985-88‡‡ | 89[illegible] | −[illegible] | 8.65 | 11.25 |
| 100[illegible] | 95½ | Exch 10½pc '88 | 95[illegible] | −1[illegible] | 10.95 | 11.82 |
| 98[illegible] | 93[illegible] | Treas 9¾pc Cv '88 | 93[illegible] | −1[illegible] | 10.47 | 11.94 |
| 82 | 77 | Transport 3pc '78-88 | 77 | −¼ | 3.90 | 9.96 |
| 96[illegible] | 91[illegible] | Treas. 9½pc '88 | 91[illegible] | −1[illegible] | 10.35 | 11.93 |
| 106[illegible] | 98[illegible] | Treas 11½pc 1989 | 98[illegible] | −1¼ | 11.68 | 11.92 |
| 50 | 46[illegible] | Treas 9½pc Cv 89 £50pd | 46[illegible] | −1[illegible] | 10.37 | 11.80 |

### Five to Fifteen Years

[illegible]

### Over Fifteen Years

[illegible]

### Undated

[illegible]

### Index-Linked

[illegible]

## INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

## CORPORATION LOANS

[illegible]

## COMMONWEALTH AND AFRICAN LOANS

[illegible]

## LOANS

### Building Societies

[illegible]

### Public Board and Ind.

[illegible]

### Financial

[illegible]

## FOREIGN BONDS & RAILS

[illegible]

## AMERICANS

[illegible]

## CANADIANS

[illegible]

## BANKS, HP & LEASING

[illegible]

### Hire Purchase, Leasing, etc.

[illegible]

## BEERS, WINES & SPIRITS

[illegible]

## BEERS, WINES—Cont.

[illegible]

## BUILDING INDUSTRY, TIMBER AND ROADS

[illegible]

## CHEMICALS, PLASTICS

[illegible]

## DRAPERY AND STORES

[illegible]

## DRAPERY & STORES—Cont.

[illegible]

## ELECTRICALS

[illegible]

## ENGINEERING

[illegible]

## ENGINEERING—Continued

[illegible]

## FOOD, GROCERIES, ETC

[illegible]

## HOTELS AND CATERERS

[illegible]

## HOTELS—Continued

[illegible]

## INDUSTRIALS (Miscel.)

[illegible]

## INDUSTRIALS—Continued

| 1984 High | Low | Stock | Price | + or − | Div Net | C'vr | Y'ld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| 169 | 114 | Macfarlane Gp. | 167 | −2 | 3.87 | 2.6 | 3.3 | 13.5 |
| 45 | 37 | Maclellan 20p | 40 | ..... | 1.6 | ♦ | 5.9 | ♦ |
| 127 | 44½ | Macpherson (D.) | 127 | ..... | ♦2.25 | 0.1 | 2.5 | — |
| 64 | 54 | Magnolia Group | 53 | ..... | 2.5 | 3.2 | 6.7 | 5.2 |
| 64 | 43 | Mainmet Hldgs 10p | 47 | ..... | — | — | — | 50.0 |
| 270 | 157 | Man. Ship Can. £1 | 245 | −7 | 5.5 | 3.5 | 3.2 | 12.6 |
| 95 | 78 | Marley | 80 | −2 | 3.2 | 2.1 | 5.7 | 11.2 |
| 90½ | 40 | Marling Ind. 10p | 47 | ..... | †1.08 | 1.7 | 3.3 | 21.1 |
| 46 | 29 | Marshall L'sy. 'A' | 37 | −1 | 1.2 | 3.6 | 4.6 | 6.6 |
| 66 | 54 | Marshall's Univ. | 66 | ..... | — | — | — | [illegible] |
| 30 | 22 | Martin-Black | 220 | ..... | — | — | — | — |
| 1105 | £88 | Mathesons 7¾% | £90 | ..... | Q7¾% | 2.3 | f9.0 | — |
| 378 | 296 | Metal Box £1 | 340 | −8 | †11.55 | 1.2 | 4.9 | 7.2 |
| 220 | 129 | Metal Closures | 208 | −2 | 6.3 | ♦ | 4.3 | ♦ |
| 27 | 17 | Metal Sciences 2½p | 17 | −1 | — | — | — | — |
| 19 | 9 | Metamec Jentique | 9 | −1 | 0.01 | — | — | — |
| 134 | 90 | Midland Marts | 90xd | −3 | 4.0 | ♦ | 6.3 | ♦ |
| 64½ | 45 | Mitchell Cotts | 58 | −½ | 3.62 | 1.0 | 8.9 | [illegible] |
| 29 | 10 | Moben Grp 1p | 21 | −1 | 0.5 | ♦ | 3.4 | ♦ |
| £255 | £184 | M'santo 5pc 82-6 | £212 | ..... | Q5% | — | 12.4 | — |
| 168 | 132 | Morgan Crucible | 156 | ..... | 7.5 | ♦ | 6.9 | ♦ |
| 97 | 82 | Moss (Robt.) 10p | 96 | +1 | 2.5 | ♦ | 3.8 | ♦ |
| 300 | 197 | NMW Computers | 285 | −10 | 6.0 | 3.0 | 3.0 | 15.9 |
| 65 | 57 | Nash Inds. | 57 | −1 | 4.0 | 2.2 | 10.0 | 6.6 |
| 47 | 30 | Neil & Sp'ncer 10p | 38 | ..... | — | — | — | 16.4 |
| 70 | 45 | New Equip 10p | 70 | ..... | ♦1.35 | 6.5 | 2.3 | 9.4 |
| 33 | 36 | Newman Industs. | 23 | ..... | — | — | — | 12.9 |
| 31 | 16½ | Do. 10pc Cm. Pf. | 24 | −½ | 10% | — | 6.0 | — |
| 66 | 43½ | Nolton | 46½ | ..... | 1.0 | 2.9 | 3.1 | 16.3 |
| 175 | 150 | Norcros | 155 | ..... | b7.0 | 2.3 | 6.5 | 9.3 |
| 86 | 66 | Nu-Swift 5p | 66 | −2 | — | — | — | 12.9 |
| 100 | 75 | Oakwood Grp. | 75 | ..... | d6.5 | — | 12.4 | — |
| 190 | 156 | Office & Elect. | 156 | −1 | 7.5 | 2.8 | 7.1 | 6.7 |
| 875 | 700 | Oriflame Intl SA | 850 | ..... | Q53c | 2.2 | 4.2 | 10.6 |
| 46 | 35 | Ovenstone 12½c | 40 | ..... | Q4.5c | ♦ | 6.9 | ♦ |
| 1146 | £128 | Ozalid Fin. Co. | £133 | +1½ | Q9% | — | f7.0 | — |
| 190 | 157 | PCT Grp 10p | 190 | ..... | bg4.8 | ♦ | 3.5 | ♦ |

## LEISURE—Continued

| 1984 High | Low | Stock | Price | + or − | Div Net | C'vr | Y'ld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| 38 | 17 | Ninsio Int 20c | 24 | +1 | — | — | — | — |
| 145 | 112 | Norton Opax 10p | 140 | +2 | 12.17 | 4.3 | 2.2 | 10.0 |
| | | For Our Price see Stores | | | | | | |
| 31½ | 23¾ | Owners Abroad | 23¾ | −¼ | 0.75 | ♦ | 4.5 | ♦ |
| 66 | 35 | Photax (Lon.) | 52 | ..... | — | — | — | — |
| 130 | 95 | Pineapple Dnc 5p 10p | 100 | −3 | d1.5 | 4.0 | 2.7 | 12.7 |
| 420 | 312 | Pleasurama 5p | 325 | ..... | 6.5 | 4.7 | 2.9 | 10.6 |
| 158 | 105 | Radio City 'A' NV | 105 | −5 | 5.6 | 1.9 | 7.8 | 9.5 |
| 70 | 61 | Radio Clyde N/V | 63 | ..... | 3.0 | 1.4 | 6.8 | 14.7 |
| 140 | 103 | Riley Leisure 10p | 103 | ..... | 4.2 | 7.4 | 5.8 | 8.7 |
| 113 | 95 | Saga Hols. 20p | 98 | ..... | 3.75 | ♦ | 5.5 | ♦ |
| 390 | 290 | Samuelson Grp £1 | 355 | ..... | d12.0 | 2.7 | 4.8 | 11.0 |
| 27½ | 22 | Sangers Photo 10p | 22 | ..... | bg1.25 | 1.8 | 8.1 | 10.0 |
| 164 | 98 | Scott. TV 'A' 10p | 152xr | −2 | 8.1 | 2.9 | 7.6 | 7.1 |
| 280 | 186 | SeaCo Inc. | 263 | +11 | — | — | — | — |
| 35 | 19 | Select TV 10p | 19 | −1 | — | — | — | — |
| 37 | 24 | TSW 5p | 33½ | ..... | 1.2 | 2.2 | 5.1 | 13.0 |
| 150 | 79 | TVS N/Vtg 10p | 115 | −15 | 2.0 | 5.5 | 2.5 | 9.5 |
| 30 | 22 | Television Svcs 10p | 27 | ..... | b0.2 | ♦ | 1.1 | ♦ |
| 90 | 70 | Tottenham Hotspur | 70 | −1 | b4.0 | 1.6 | 8.2 | 13.9 |
| 147 | 120 | Trident TV 'A' 10p | 137 | −3 | 5.5 | 1.8 | 5.7 | 13.5 |
| 168 | 168 | 21st Century Dsg. | 105 | ..... | — | — | — | — |
| 197 | 135 | Tyne Tees TV 'A' £1 | 390 | ..... | 8.25 | 2.4 | 6.2 | 9.8 |
| 166 | 107 | Ulster TV N/V 'A' | 152 | +1 | †8.0 | 2.5 | 7.5 | 7.1 |
| 25½ | 18 | Webb (Jos.) 5p | 22 | ..... | d0.51 | 0.5 | 3.3 | — |
| 98 | 88 | Zetters 5p | 91 | −1 | 3.1 | 3.0 | 4.9 | 9.7 |

## MOTORS, AIRCRAFT TRADES

### Motors and Cycles

| 1984 High | Low | Stock | Price | + or − | Div Net | C'vr | Y'ld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| 76 | 52 | BL 50p | 56 | −3 | — | — | — | — |
| 66 | 50 | Coleman Milne 10p | 55 | ..... | 1.7 | 2.8 | 4.4 | 11.0 |
| 755 | 251 | Gen. Mtrs. Units | 255 | ..... | Q12c | — | 3.3 | — |
| 385 | 294 | Honda Motor Y50 | 353 | +8 | tQ20% | 9.1 | 0.6 | 13.6 |
| 85 | 55 | Lotus Car 10p | 68 | −1 | — | — | — | — |
| 44 | 30 | Reliant Motor 10p | 41 | −1 | — | — | — | [illegible] |

### Commercial Vehicles

### Components

### Garages and Distributors

## NEWSPAPERS, PUBLISHERS

## PAPER, PRINTING ADVERTISING

## PROPERTY

## PROPERTY—Continued

## SHIPPING

## SHOES AND LEATHER

## SOUTH AFRICANS

## TEXTILES

## TOBACCOS

## TRUSTS, FINANCE, LAND

### Investment Trusts

## INVESTMENT TRUSTS—Cont.

### Finance, Land, etc

## OIL AND GAS

## OIL AND GAS—Continued

## OVERSEAS TRADERS

## PLANTATIONS

### Rubbers, Palm Oil

### Teas

## MINES

### Central Rand

### Eastern Rand

### Far West Rand

### O.F.S.

### Finance

### Diamond and Platinum

### Central African

## INSURANCES

## LEISURE



## MINES—Continued

### Australians

| 1984 High | Low | Stock | Price | + or − | Div Net | C'vr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|
| 19 | 14½ | ACM 20c | 15 | +½ | — | — | — |
| 39 | 26 | Allstate Explrn NL | 26 | ..... | — | — | — |
| 10½ | 4 | [illegible] | 5½ | ..... | — | — | — |
| 19 | 13 | [illegible] | 13 | ..... | — | — | — |
| 28 | 20½ | [illegible] Mng NL | 22 | ..... | — | — | — |
| 45 | 15 | [illegible] | 34 | −½ | — | — | — |
| 46 | 25 | Black Hill Mins. | 25 | −1 | — | — | — |
| 104 | 77 | Bond Corp | 77 | −1 | [illegible] | [illegible] | [illegible] |
| 177 | 141 | Bougainville Copper | 141 | [illegible] | [illegible] | [illegible] | [illegible] |

### Tins

### Miscellaneous

## NOTES

## REGIONAL & IRISH STOCKS

## OPTIONS — 3-month call rates

"Recent Issues" and "Rights" Page 35

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £700 per annum for each security.

# AUTHORISED UNIT TRUSTS

# FT UNIT TRUST INFORMATION SERVICE

# INSURANCES

Insurances—continued

Colonial Mutual Group
24 Ludgate Hill EC4P 4BD. 01-248 9861
Capital Life Assurance

| | | | | |
|---|---|---|---|---|
| KeyInvFd | — | 131.09 | .... | — |
| PcmkrInvFd | — | 152.91 | .... | — |
| Equity Fd | 134.81 | 141.70 | .... | — |
| FxdIntFd | 111.72 | 117.00 | .... | — |
| Propty Fd | 114.47 | 120.40 | .... | — |
| Cash Fd | 102.91 | 108.35 | .... | — |
| ManagdFd | 130.58 | 157.45 | .... | — |

Col Mut Life (Pension Annuities)

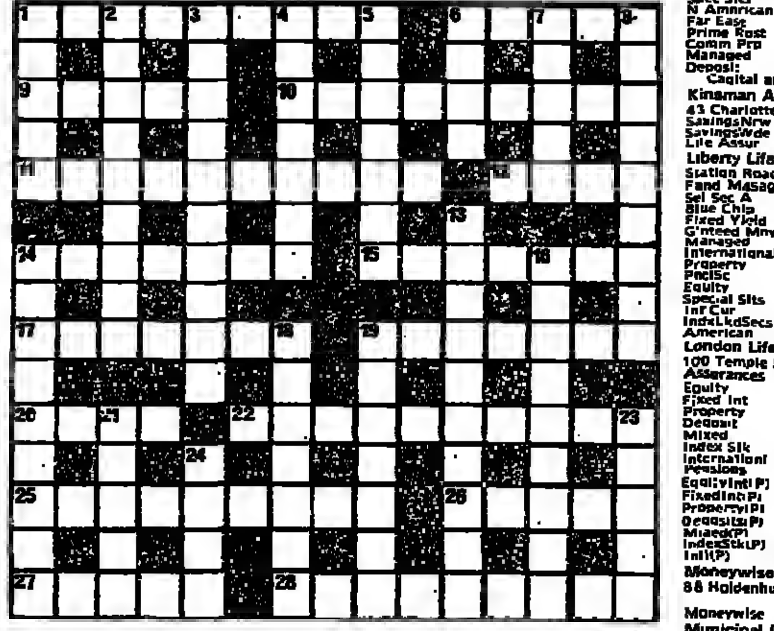
| | | | | |
|---|---|---|---|---|
| ManCpA/B | 123.25 | 129.72 | .... | — |
| MenInvA/B | 124.04 | 131.21 | .... | — |

# Offshore & Overseas—continued

# Money Market Trust Funds

# Money Market Bank Accounts

## F.T. CROSSWORD PUZZLE No. 5,425



### ACROSS

1 Golly! a bit off, this farm-butter (5-4)
6 Hazards of drivers and divers (5)
9 County loses courage (5)
10 Last-mentioned of the Helston sextet? (9)
11 Extras for modern theatres (5, 5)
12 Softwood trade (4)
14 Oddly-coloured dog's day in Berlin, perhaps (7)
15 Petition made for what, in France, has to sleep outside (7)
17 This pest could be anyone right at the end (7)
19 Chinese detective and assistant in "Song of Paris" (7)
20 Brothers and sisters in the same place on board (4)
22 Pre-eminent dealer—dealer in horoscopes (10)
25 Describing our forefathers from Lancaster (9)
26 Sign of severe cold? Here's topping stuff (5)
27 Two books of sovereigns (5)
28 Last we see of the Nocturnal Jaguar? (4-5)

### DOWN

1 Takes over domestic vessels (5)
2 Speaking of royalists as loyalists? (9)
3 Wild-eyed satyrs of the recent past (10)
4 Carmen, for example, needs tip of cigarette to work (7)
5 He hopes to find a place for us, of course (7)
6 Sudden misfortune—curse! (4)
7 Sodium I have made green (5)
8 e.g. the fair-bound Simon confused mile-post north (9)
13 On centre-line, evenly balanced—could be a riot inside (10)
14 Nursery-climb for Jack (9)
16 Midshipman leaving is relaxed and cheerful (4-5)
18 One finishing post (7)
19 Floral envelope firm to get under way with a following (7)
21 English philosopher and well-known friar, we hear (5)
23 Fit? Just! (5)
24 Dark blue flower? (4)

### Solution to Puzzle No. 5,424

هكذا من الأصل





# INSURANCE & OVERSEAS MANAGED FUNDS

**Barclays Life Ass.—Cont.**

| | | | | |
|---|---|---|---|---|
| Income Accum. | 132.8 | 139.8 | -1.0 | — |
| Do. Initial | 126.7 | 133.4 | -1.0 | — |
| Universal Tec. Acc. | 85.0 | 90.7 | +1.5 | — |
| Do. Initial | 84.4 | 88.9 | +1.4 | — |
| Man. Pens. Accum. | 264.3 | 278.3 | .... | — |
| Do. Initial | 213.9 | 225.2 | .... | — |
| Gilt-Edg. Pens. Accum | 216.3 | 227.7 | .... | — |
| Do. Initial | 168.3 | 111.2 | .... | — |
| Money Pens. Accum. | 197.4 | 207.8 | .... | — |
| Do. Initial | 155.8 | 164.0 | .... | — |

**Black Horse Life Ass. Co. Ltd.**
346A High St., Chatham 0634 405161

| | | | | |
|---|---|---|---|---|
| Black Horse Man. Fd | | 262.11 | .... | — |
| Managed Inv. Fd. | 175.37 | 184.60 | .... | — |
| Property Fd. | 154.90 | 163.00 | .... | — |
| Fixed Interest Fd. | 149.66 | 157.44 | .... | — |
| Cash Fd. | 139.26 | 146.59 | .... | — |
| Income Fd. | 202.57 | 213.24 | .... | — |
| Extra Income Fd. | 197.87 | 208.29 | .... | — |
| Worldwide Growth Fd. | 230.86 | 243.02 | .... | — |
| Balanced Fd | 204.85 | 215.63 | .... | — |
| Smlr Co's & Recy. Fd | 231.01 | 243.17 | .... | — |
| Int. Technology Fd | 257.58 | 271.09 | .... | — |
| Nth. Amer. & Gen. Fd. | 150.97 | 158.92 | .... | — |
| Energy Int. Fd. | 113.93 | 119.93 | .... | — |
| Pacific Basin Fund | 164.31 | 172.96 | .... | — |

**British National Life Assurance Co. Ltd.**
Harlands Rd, Haywards Heath. 0444 414111

| | | | | |
|---|---|---|---|---|
| Managed | 121.4 | 127.8 | .... | — |
| Property | 125.7 | 132.3 | .... | — |
| Equity | 132.8 | 139.8 | .... | — |
| International | 135.6 | 142.8 | .... | — |
| Fixed Interest | 105.7 | 111.3 | .... | — |
| Deposit | 102.4 | 107.8 | .... | — |
| Managed Pen. Cap. | 120.6 | 126.9 | .... | — |
| Property Pens. Cap. | 126.5 | 133.1 | .... | — |
| Equity Pens. Cap. | 126.9 | 133.6 | .... | — |
| Intnl. Pens. Cap. | 139.6 | 147.0 | .... | — |
| Fixed Int. Pens. Cap. | 100.3 | 105.6 | .... | — |
| Deposit Pens. Cap. | 98.4 | 103.6 | .... | — |

**Canada Life Group**

**G.T. Management Ltd.**
16 Finsbury Circus, Lond. EC2M 7DJ. 01-628 8131

| | | | | |
|---|---|---|---|---|
| G.T. Plan Bond Fund. | 125.8 | 132.5 | +0.5 | — |
| GT Pln High Yld Fnd | 133.3 | 140.4 | -0.9 | — |
| GT Plan Far East Fnd | 122.1 | 128.6 | +1.4 | — |
| GT Plan N. Am Fd. | 116.4 | 122.6 | -1.1 | — |
| GT Pln UK&G. E. Fnd | 156.2 | 164.6 | +0.4 | — |
| GT Pln Wrldwde Fnd. | 148.5 | 156.4 | -0.6 | — |
| GT Pension Bnd Fnd. | 137.4 | 144.7 | +0.6 | — |
| GT Pen High Yld Fd. | 154.5 | 162.7 | -1.1 | — |
| GT Pen Far East Fd. | 151.7 | 159.7 | +1.8 | — |
| GT Pen N. Am. Fd. | 171.6 | 180.7 | -1.7 | — |
| Pen UK and General | 182.6 | 192.3 | +0.5 | — |
| GT Pen Worldwide Fd. | 159.1 | 167.5 | -0.6 | — |

Prices for Accum. Units only.

**Assicurazioni GENERALI S.p.A.**
117, Fenchurch St., EC3M 5DY. 01-488 0733

| | | | | |
|---|---|---|---|---|
| Intl. Managed Bond | 174.7 | 183.9 | .... | — |

**General Portfolio Life Ins. PLC**
Crossbrook St., Cheshunt, Herts. Waltham X 31971

| | | | | |
|---|---|---|---|---|
| Portfolio Fd. Acc. | | 274.3 | .... | — |
| Portfolio Fd. Init. | | 220.8 | .... | — |

Continued on adjacent Page

**Gresham Unit Ass. Ltd.**
2-6, Prince of Wales Rd. B'mouth. 0202 767655

| | | | | |
|---|---|---|---|---|
| Managed Fd. | 283.8 | 299.0 | -5.8 | — |
| Money Fd | 159.7 | 168.1 | .... | — |
| Equity Fd | 239.7 | 252.6 | -7.0 | — |
| Fixed Int. Fd. | 117.6 | 123.9 | -1.0 | — |
| Property Fd | 177.4 | 186.9 | .... | — |
| Managed Pen. Fd. | 281.8 | 296.9 | .... | — |
| Equity Pension Fd | 177.7 | 187.3 | .... | — |
| Fixed Int. Pen. Fd. | 167.8 | 176.8 | .... | — |
| High Yield Pen. Fd. | 165.8 | 174.7 | .... | — |
| Money Pension Fd | 134.0 | 141.1 | .... | — |
| Property Pension Fd. | 132.9 | 140.0 | .... | — |
| [illegible] | | | | |
| American & Gen. Fd. | 224.6 | 236.7 | -1.0 | — |
| Income Fd | 217.8 | 229.5 | -1.7 | — |
| Int'l. Growth Fd | 254.5 | 268.2 | -1.4 | — |
| Capital Fund | 229.3 | 272.1 | -1.6 | — |
| Recovery Fund | 157.3 | 165.8 | -1.6 | — |
| Japan & Gen Fd | 92.8 | 97.8 | +1.2 | — |

## OFFSHORE AND OVERSEAS

## NOTES

# COMMODITIES AND AGRICULTURE

## UK and Italy block N. Sea herring plan

MOST EEC fisheries ministers yesterday backed a plan to share out 155,000 tonnes of North Sea herring desplte fierce opposition from Norway, which jointly controls the otocks. Full agreement was blocked by Britain and Italy.

It was feared Norway might take reprisals if all 10 notions at the one-day meeting agreed to a provisional share-out of herring among Community fleets.

Oslo claims EEC boats over-fished 174,000 tonnes of young herring last year and wants the Community to agree compensation for Norway's fisbermen before oetting any quotas for its own fleets.

With deadlock in tho talks with Norway, the European Commission bas proposed allocating part of the total to Community fleets now before the main berring oeason begins.

June is the start of the season for catching Maotjes, a mainly Dutch dellcacy of small salted raw berrings. The Netherlands wanted an urgent share-out of at least 155,000 tonnes to allow its fishermen to operate in the two-month season.

The Netherlands, in a move likely furthor to anger the Norwegians, said Norway's shore of herring this year should be cut to a maximum of 25.000 tonnes, down from about 30,000 tonnes in 1983 wben the total availablo was only half this year's.

Tho Commission also argues that the share of North Sea herring in Norwegian waters undor joint control only amounts to about 4 per cent of the total, and that last year's deal favoured Oslo.

In a move partly aimed at blunting tbe Norwegian charges of overfishing, ministers discussod cutting the 1984 Community quota for sprats from 175,000 to 100,000 tonnes, Reuter.

## Cargill to buy three Acli commodities businesses

Donaldson Lufkin and Jenrette Inc has announced a definitive agreement to sell certain physical commodities businesses from its Acli International Inc subsidiary to Cargill Inc.

The company said the price will exceed the book value of the businesses by $2.5m, which Donaldson Lufkin put at more than $80m (£58m).

The businesses being sold comprise the Acli Commodity Merchanting Group, a world-wide dealer and merchant trader in physical commodities. The businesses are Acli Coffee, Acli Cocoa and Acli Metal Ore Company.

Not included in the sale are Acli Futures Inc, the domestic and international futures commission brokerage business, the International Commodities Export Company, Acli Metals London and several joint ventures involving futures brokerage in the U.S., Europe and Asia.

Donaldson Lufkin & Jenrette Inc said the sale is part of its programme to streamline the organisation of its Acli operations which it acquired in late 1981.

It said Acli's futures commission brokerage business, now called Donaldson Lufkin & Jenrette Acli Futures, will be named Donaldson Lufkin Jenrette Futures Inc.

The transaction is expected to close by June 30. It is subject to approval by Donaldson Lufkin's board, the expiration of the Hart-Scott-Rodino anti-trust waiting period, and other normal conditions.

## Rain brings relief for grass and grain

### Farmer's viewpoint: By John Cherrington

LAST WEEK'S rain, there was about an inch on my farm, has made a great difference to the farming sltuation—and to my peace of mind. I was, I must coofess, beginning to worry, and this was aggravated by my remembering an old saying to the effect that "if the oak is out before the asb there will be but a splasb." This spring both trees bave been slow coming into leaf but tho oak are well out now, while the ash in many cases are still almost bare.

How it is possible for summer rainfell to be forecast hy tho trees leafing the saying does not explain. But no donbt it is just as accurate a systom as all tho modern mumbo jumbo with satellite pictures and computers. Myoelf, I believe the tardiness of the asb has been duo to the almost continuously low temperatures for the last two months.

My biggest anxiety concerned the sheep. They are running fairly thick on their pastures, and until it rained they were gaining on the pasture growth to the extent that I wondered where I was going to find feed for them in e month's time. The lambs had been doing very well indeed. I have always beliovod that a sbeep does best whon lt is eating the blade of grass that grew the night before. At this time of year grass has the highest feed value possible both for milk production and turning feed into moat.

If it is dry os well, so that the goodness of the grass cannot he diluted, there is no bettor feed and tho lambs showed it. I sold more fat lambs in May than I have ever before, and I have nover had them so fat either. Of course this is not an unmixed blessing. The customor does not liko fat on meat but it is very difficult to stop lambs putting lt on if tbey are doing well. As it was, I had a few refused for tho premium becauso they excoedod the fatness limits. Which for lambs no moro than 10-weeks-old was qulte extraordinary.

I particularly wanted to got tbe lambs fit for sale because the basis of tbe guarantee has been cbanged. In previous years the guarantood price had a slow fall from the beginning of April to a low point at the end of September where it remained for four weeks before starting up again. This year tho guaranteed price falls by 42p to 198.5p a kilo botweeo the oecond week of June and the oecond woek of July where it remains for 15 weeks. This is a fall of about £7 a head for tho weight of lamb that I sell.

One noeds a computer I suppose to work out the balance of advantage oo the different weights sold in the particular weeks to maximise returns. I always believe that a lamb is liko a pear. Once it is ripe it ohould be oold and genorally speaking tho oooner it is sold the better. Any way the rain has refreshod the grass and the grazing sbould bold out for the next crucial month.

It must bave done the cereals the world of good as well. The spring barley had been showing signs of distress and another week without rain could have rulned horvest prospects. This would have been serious on two counts.

Generally speaking spring barloy does not yield anything like as well as outumn-sown varieties and less and less of lt is being planted. This news has alarmed the maltsters because thore are no really reliable autumn-sown barleys fit for malting- although there are some promising ones in the pipelino. If wo have another poor spring-sown barley crop, as we bad last year, maltsters will have to pay astronomical prices for their supplies.

Aptumn-sown crops have never looked better although on somo fiolds thore bad been signs of drought stress. I have never seon the south of England look so woll, indeed some of the pundits are already talking of a record barvest. There is an almost complete absence of disease and the fine dry weather of past weeks enabled weed spraying to continue apace.

However, there is a quality problem. Farmers are increasingly planting feed wheat varieties as well as feed barleys and for the same reason; quantity pays better than quality. If there is a record crop the milling samples might find a market at or above the guide or guaranteed price, but much of the feed grain might be a drug on the market.

The alternatives for this; intervention-buying or exporting are dependent on EEC funding. There are nasty noises coming out of Brussels to the effect that while the guarantees will be bonoroured, the quality standards and terms of funding could woll be oltered so that fewer samples would benefit.

For myself I am not yet sure of a record harvest. This time last year I was bewailing sodden fields and stunted growth and then had the best wheat barvest ever. An inch of rain in May is no guarantee of a Cornucopia.

## Producers cut egg prices

BY JOHN EDWARDS, COMMODITIES EDITOR

RENEWED political unrest in the Middle East has forced British egg producers to cut their selling prices, according to Goldenlay Eggs, the farmer co-operative marketing consortium.

Goldenlay said that large quantities of eggs produced by eastern European countries and Finland, which are normally sold to the Middle East, are being diverted instead to Europe bringing down prices in Holland, West Germany and France.

As a result these three countries have been stepping up exports to the British market, which has been buoyant for some months following production cuts bringing domestic supply and demand into balance.

To stem the flow of those imports, Goldenlay has made substantial price cuts to small eggs. It has reduced prices for sizes five, six and seven, by 8p a dozen; size four by 6p a dozen and size three by 2p. The cost of larger size eggs remains unchanged, since they are still in relatively short supply.

These will be the first price reductions for eggs since last October. However, Goldenlay points out that egg producers suffered heavy losses last year due to prices well below the cost of production. A period of higher, stable, prices was urgently needed to recoup some of the losses.

## Marketing role for farm co-ops outlined

BY RICHARD MOONEY

EEC ACTION to cut surplus grain production is anticipated by Food from Britain's co-operative development board, in a discussion paper published yesterday.

"Cereal growers face political and economic uncertainty as the EEC attempts to bring prices more in line with world levels and to reduce surpluses," the board says.

"More attention will need to be paid to matching market requirements for grain quality, specification, volume and delivery, and more specific export outlets will need to be developed," it says in the paper, Outline Operating Strategy 1984-87.

The paper sayo marketing of Vegetables and salads must be improved to fight off the competition which will result from EEC enlargement.

Vegetables and salads, pigs and ceroals are identified as "priority products," while potatoes, cattle, dairy products and soft fruits are suggested as longer-term priorities.

"We are currently aware of the noed to establisb priorities and targets so thot limited resources can be employed to bost effect in the development of co-operation and producer co-operatives," said Mr Douglas Cargill, the board's chairman.

"Copies of the paper are being sent to industry leaders, co-operatives and other producer organisations, and we would welcome detailed comments from all sectors of the industry by the end of July."

The pig industry's longer-term viability will depend on careful balancing of supply and demand, but because of the "pig cyclo" at strategy for co-operative development is difficult, it says.

Food from Britain sees opportunities for co-operative development in the dairy sector for marketing farmhouse dairy products including cheese and yoghurts, and for improved marketing of cull cows and calves.

Test marketing has establlshed that premium prices can be achieved for high quality potatoes, and the board believes support should continue for organisations marketing a branded quality product.

## Move to adjourn cocoa pact talks likely

A MOVE to adjourn a negotiating conference on the International Cocoa Agreement in Geneva is expected today.

Consumer delegations want the conference to break until October 8 to give them a chonce to study a price stabllisation scheme proposed by the EEC, trade observers said yesterday.

The sheme centres on a plan for each producer to withdraw a certain amount of supplies from tbe market if buffer stock purchases fail to stabilise prices.

● Mr Philip G. Smith, who formally retired as chairman of the London Metal Exchange board on Wednesday, is to become adviser to Triland Metals, ono of the LME's ring-dealing member companles, it was announced yesterday.

Mr Smith was chairman of the LME board for 17 years.

His successor is Mr Jacques Lion, senior partner of Philipp & Lion, the only remaining partnership on the exchange. Mr Lion has been on the boord since 1972 and vice-chairman since 1977. He is particulorly well known in the secondary metals industry and is a past chairman of the Britisb Secondary Metals Association.

The London Metal Exchange also yesterday unveiled its new 20-minute film explaining the role of the LME. It is available for hire.

● Zinc's cash price surged to the highest level for 10 years on the London Metal Exchange yesterday, as the "squeeze" on immediately available supplies tightened. Casb zinc closed £30 up at £767.5 a tonne. The three months quotation rose by £10.5 to £681.

● SUNSHINE MINING of London have launched a futures broking division in Liverpool. The company already has a physical broking subsidiary, SNW (Liverpool).

## PRICE CHANGES

| In tonnes unless stated otherwise | May 24 1984 | + or − | Month ago |
|---|---|---|---|
| Metals | | | |
| Aluminium | £1100 | | £1100 |
| Free Mkt | [illegible] | | [illegible] |
| Copper | | | |
| Cash h Grade | £1085 | +3.75 | £1146 |
| 3 mths | £1042.75 | +4 | £1062.75 |
| Cash Cathode | £1033.5 | +9 | £1046 |
| 3 mths | £1041.5 | +8 | £1056 |
| Gold troy oz | $377 | −0.75 | $376.75 |
| Lead Cash | £332.5 | +1 | £330 |
| 3 mths | £334.5 | −18.25 | £342.75 |
| Nickel | £4986 | | £4886 |
| Free Mkt | [illegible] | | [illegible] |
| Palladium oz | $155.75 | −0.25 | $156.25 |
| Platinum oz | $367.50 | −1 | $387.35 |
| Quicksilver | [illegible] | | [illegible] |
| Silver troy oz | 648.00p | −7.75 | 002.95p |
| 3 mths | 662.75p | −7.75 | 066.30p |
| Tin cash | £9057.0 | −27.5 | £8987.5 |
| 3 months | £9000.0 | +8.0 | £8916.5 |
| Tungsten | $83.20 | | $83.01 |
| Wolfram 22.04lb | $84.89 | +1 | $84.68 |
| Zinc | £767.5 | +30 | £698.5 |
| 3 mths | £681 | +10.5 | £694.5 |
| Producers | [illegible] | | [illegible] |

| | May 24 1984 | + or − | Month ago |
|---|---|---|---|
| Oils | | | |
| Coconut (Phil) | $1000w | +40 | $1260 |
| Groundnut | $1180x | | |
| Linseed Crude | [illegible] | | [illegible] |
| Palm Malayan | $980v | | $875 |
| Seeds | | | |
| Copra Phil | $840x | | $780 |
| Soyabean (U.S.) | $354.2x | +0.6 | $320.2 |
| Grains | | | |
| Barley Fut. Sep. | £106.90 | +0.20 | £106.95 |
| Maize | £147.60 | | £147.50 |
| Wheat Fut. Sep. | £107.45 | −0.15 | £126.20 |
| No2 Hard Wint | [illegible] | | [illegible] |
| Other commodities | | | |
| Cocoa ship't | £2124 | | £1968.5 |
| Futures July | £2058 | −5.5 | £1910.5 |
| Coffee Ft. July | £2455.5 | −9.5 | £2281 |
| Cotton A index | 82.75c | | 83.35c |
| Gas Oil June | $249.25 | +1.75 | $243.25 |
| Rubber (kilo) | 70.25p | +0.5 | 72p |
| Sugar (raw) | £107.5w | −2.0 | £113 |
| Wool tops 64s | 470p kilo | +5 | 470pkil |

‡ Unquoted. z June. v July. w May-June. x June-July. † Per 75 lb flask. * Ghana cocoa. n Nominal. c Cents per pound.

## LONDON OIL

A continuation of Wednesday's weaker tone was sharply reversed by the Iraqi claim to have attacked two more ships. A lack of confirmation caused prices to slip lower until the news of another missile strike in the western Gulf fuelled another rally. Profit-taking put pressure on the market as the close, reports Premier Man.

### SPOT PRICES

| | Latest | Change + or − |
|---|---|---|
| CRUDE OIL—FOB ($ per barrel) | | |
| Arabian Light | 28.30-28.40 | −0.02 |
| Iranian Light | 28.10-28.20 | +0.03 |
| Arab Heavy | 27.00-27.10 | |
| North Sea (Forties) | 29.50-30.05 | −0.08 |
| North Sea (Brent) | 29.80-29.90 | |
| Africant (Bonny Lt) | 29.80-29.90 | |

PRODUCTS—North West Europe ($ per tonne)

| | | |
|---|---|---|
| Premium gasoline | 260-265 | −0.0 |
| Gas Oil | 245-250 | +1 |
| Heavy fuel oil | 166-168 | −1 |

GAS OIL FUTURES

| Month | Yest'day's close | + or − | Business Done |
|---|---|---|---|
| | $ U.S. per tonne | | |
| May | [illegible] | | [illegible] |
| June | [illegible] | | [illegible] |
| July | [illegible] | | [illegible] |
| Aug | [illegible] | | [illegible] |
| Sept | [illegible] | | [illegible] |
| Oct | [illegible] | | [illegible] |
| Nov | [illegible] | | [illegible] |
| Dec | [illegible] | | [illegible] |
| Jan | [illegible] | | [illegible] |

Turnover: 2,715 (1,679) lots of 100 tonnes.

## GOLD MARKETS

Gold fell $½ to $376¾-377¼ on the London bullion market. It opened at $375¾-376¼, and was fixed at $375.30 in the morning, and $375.85 in the afternoon. The metal touched a peak of $377-377¼, and a low of $374¼-375¼.

In Paris the 12½ kilo bar was fixed at FFr 102,500 per kilo ($374.89 per ounce) in the afternoon, compared with FFr 102,400 ($374.97) in the morning, and FFr 102,700 ($378.35) Wednesday afternoon.

In Frankfurt the 12½ kilo bar was fixed at DM 33,440 per kilo ($376.45 per ounce), against DM 33,365 ($379.01), and closed at $375¼-375¾, compared with $378¾-379¼.

In Luxembourg the 12½ kilo bar was fixed at the equivalent of $376.25 per ounce, against $379.25.

In Zurich gold finished at $375¾-375¼, compared with $378¾-379.

Gold Bullion (fine ounce), May 24 / May 23; Gold and Platinum Coins May 24: [illegible]

## LONDON FUTURES

| Month | Yest'days close | + or − | Business Done |
|---|---|---|---|
| | $ per troy ounce | | |
| Jun | [illegible] | | [illegible] |
| Aug | [illegible] | | [illegible] |
| Oct | [illegible] | | [illegible] |
| Dec | [illegible] | | [illegible] |
| Feb | [illegible] | | [illegible] |

Turnover: 581 (533) lots of 100 troy ounces.

## EUROPEAN MARKETS

ROTTERDAM, May 24. [illegible]

PARIS, May 24. [illegible]

## BRITISH COMMODITY PRICES

### BASE METALS

BASE-METAL PRICES were mixed on the London Metal Exchange. Copper touched extremes of £1,036 and £1,050 prior to closing at £1,047.5 as bullion edged higher reflecting that a U.S. bank is experiencing liquidity problems. Lead remained a volatile market and fell to £322 before rallying to £327 while the backwardation in Zinc widened rapidly with three months closing around £684. Currency considerations left forward standard Tin at £9,000 on the afternoon Kerb.

### COPPER

[illegible]

### TIN

[illegible]

### LEAD

[illegible]

### ZINC

[illegible]

### ALUMINIUM

[illegible]

### NICKEL

[illegible]

### SILVER

Silver was fixed 7.7p an ounce lower for spot delivery in the London bullion market yesterday at 648.5p. U.S. cent equivalents of the fixing levels were: spot 899.2c, down 18.5c; three-month 912.1c, down 19.1c; six-month 934.1c, down 18.9c; and 12-month 976.7c, down 19.0c. The metal opened at 652-655p (897-899c) and closed at 647-652p (888-894c).

[illegible]

### COCOA

Although opening levels were lower than expected futures rallied to trade at the five year highs before encountering producer and commission house profit-taking, reports Gill and Duffus.

[illegible]

### COFFEE

[illegible]

### GRAINS

[illegible]

### PIGMEAT

[illegible]

### POTATOES

[illegible]

### RUBBER

[illegible]

### SOYABEAN MEAL

[illegible]

### SUGAR

[illegible]

### WOOL FUTURES

[illegible]

### COTTON

LIVERPOOL—Spot and shipment sales [illegible]

### INDICES

FINANCIAL TIMES

| May 23 | May 22 | M'th ago | Year ago |
|---|---|---|---|
| 317.98 | 318.32 | 307.16 | 275.56 |

(Base: July 1 1952=100)

REUTERS

| May 24 | May 23 | M'th ago | Year ago |
|---|---|---|---|
| 2018.5 | 2012.8 | 2007.7 | 1880.5 |

(Base: September 18 1931=100)

MOODY'S

| May 22 | May 21 | M'th ago | Year ago |
|---|---|---|---|
| 1078.5 | 1080.2 | 1076.0 | 1061.7 |

(Base: December 31 1974=100)

DOW JONES

| Dow Jones | May 22 | May 21 | Month ago | Year ago |
|---|---|---|---|---|
| Spot | 141.22 | 141.68 | 141.39 | 146.44 |
| Fut's | 142.67 | 143.17 | 142.03 | 149.5 |

(Base: December 31 1974=100)

### MEAT/FISH

[illegible]

### Italian sugar

BRUSSELS — The European Commission has authorised Italy to extend aid to its faltering sugar industry, but has refused the request for an increase in its current production quota.

The Commission approved a sugar industry restructuring plan which would use state funds to create a financing company to take shares in various private sector companies with the aim of maintaining sugar production and beet cultivation.

Seven sugar factories would be closed under the plan by 1985, and a further five by 1988. Remaining plant would be modernised.

The authorisation was granted on condition that aid is limited to a five-year period, Reuter

## AMERICAN MARKETS

NEW YORK, May 24.

Copper prices rallied moderately after a weak opening with arbitrage buying providing the main support, reports Heinold Commodities. Aluminium prices recovered from a lower opening on the better tone in the currencies. Precious metals rallied on arbitrage support as well as on commission house buying and short-covering. Sugar prices advanced on trade support at the low levels and on sympathetic buying from the precious metals. Coffee prices were under light selling pressure from commission house liquidation and technical selling on further indications that an increase in the quota would be forthcoming. Cocoa traded in a narrow range in an erratic pattern finishing nominally higher on reports of delays in shipments from Nigeria. Cotton prices were moderately lower reflecting some weakness in soyabeans. Heating oil prices were firm to strong on reports of continued attacks against oil tankers in the Persian Gulf. Wheat prices were strong all day on indications of limited moisture in the Soviet spring wheat areas. Soyabeans and maize closed mixed with most of the strength concentrated in new crop months on concern about Soviet weather.

### NEW YORK

[illegible]

### CHICAGO

[illegible]

SPOT PRICES—Chicago loose lard 35.00 (same) cents per pound. New York tin 580.0-89.0 (582.0-89.0) cents per pound.

# CURRENCIES, MONEY and CAPITAL MARKETS

## FOREIGN EXCHANGES

# Dollar and sterling weak

The dollar finished on a weaker note yesterday, following rumours of another major U.S. bank in financial difficulties. Trading earlier in the day had been quiet and mostly trendless with firmer U.S. interest rates and renewed Middle East tension underpinning the dollar and limiting the extent of its softer trend. Later in the day trading became rather confused with currencies fluctuating quite sharply. Movements out of the dollar and into D-marks were restricted to some extent by continued industrial unrest in West Germany.

The dollar closed at DM 2.7455 against the D-mark down from DM 2.7505 and SwFr 2.2675 compared with SwFr 2.2710. It was also lower against the yen at Y231.45 from Y231.60 and FFr 8.4425 from FFr 8.4575. On Bank of England figures the dollar's trade weighted index was 131.8 up from 131.0. This did not reflect the dollar's overall fall at the end of the day however.

STERLING — Trading closing range against the dollar in 1984 is 1.4940 to 1.3805. April average 1.4226. Trade weighted index 79.5, unchanged from Wednesday and compared with 79.5 at noon, 79.4 in the morning and 83.4 six months ago.

Sterling touched a record trading low for London against the dollar of $1.3735 after opening at $1.3745. It recovered to close at $1.3810-1.3820 however, a rise of 10 points but soon fell sharply in New York to be quoted at $1.3725. Rumours of a troubled U.S. bank had helped sterling recover towards the close of business in London with the implication as a petrocurrency. Against war highlighting sterling's attraction as a petrocurrency. Against the D-mark it slipped to DM 3.7950 from DM 3.80 and SwFr 3.1350 compared with SwFr 3.1375. It was also lower against the French franc at FFr 11.66 from FFr 11.6750 but was unchanged against the yen at Y320.

D-MARK — Trading range against the dollar in 1984 is 2.8425 to 2.5535. April average 2.6435. Trade-weighted index 124.9 against 125.0 six months ago.

The D-mark showed mixed changes at the Frankfurt fixing, weakening against the dollar, sterling, Swiss franc and Japanese yen, but improving against some members of the EMS, including the Dutch guilder. Expectations of higher U.S. interest rates was the major factor behind the dollar's advance to DM 2.7638 from DM 2.7388, although this was before rumours became rife about problems involving other U.S. banks apart from Continental Illinois. The Bundesbank sold $19.95m at the fixing. At the same time it was felt talks between the German metalworkers union and employers were making slow progress, and this tended to depress the D-mark. Sterling rose to DM 3.8040 from DM 3.7980, and the Swiss franc to DM 1.2146 from DM 1.2105. Within the EMS the French franc improved to DM32.520 per 100 francs from DM 32.500, but the guilder fell to DM 88.835 per 100 guilders from DM 88.850.

ITALIAN LIRA — Trading range against the dollar in 1984 is 1,720.75 to 1,591.60. April average 1,635.90. Trade-weighted index 48.2 against 49.3 six months ago.

The lira was weak at the Milan fixing, losing ground to most major currencies, but the Bank of Italy did not intervene. The dollar rose to L1,704.70 from L1,689.90; sterling to L2,347 from L2,345.10; the D-mark to L616.72 from L616.53; the Swiss franc to L748.97 from L746.33; the French franc to L200.61 from L200.32; the Belgian franc to L30.356 from L30.32; the Dutch guilder to L547.97 from L547.46; the Danish krone to L168.36 from L168.13; and the Japanese yen to L7.354 from L7.262. The lira declined against all its EMS partners, apart from the Irish punt which fell to L1,894.50 from L1,894.80.

### EMS EUROPEAN CURRENCY UNIT RATES

| | ECU central rates | Currency amounts against ECU May 24 | % change from central rate | % change adjusted for divergence | Divergence limit % |
|---|---|---|---|---|---|
| Belgian Franc ... | 44.9008 | 45.4918 | +1.32 | +1.27 | ±1.5447 |
| Danish Krone ... | 8.14104 | 8.20846 | +0.80 | +0.75 | ±1.6425 |
| German D-Mark | 2.24184 | 2.23902 | −0.13 | −0.13 | ±1.0642 |
| French Franc ... | 6.87456 | 6.88257 | +0.12 | +0.07 | ±1.4052 |
| Dutch Guilder ... | 2.52595 | 2.52064 | −0.21 | −0.26 | ±1.4964 |
| Irish Punt ...... | 0.72569 | 0.728818 | +0.43 | +0.38 | ±1.6699 |
| Italian Lira ...... | 1403.49 | 1381.78 | −1.55 | −1.55 | ±4.1505 |

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

### £ in New York (latest)

| | May 24 | Prev. close |
|---|---|---|
| Spot | $1.3795-3815 | $1.3725-3705 |
| 1 month | 0.25-0.28 dis | 0.20-0.20 dis |
| 3 months | 0.83-0.87 dis | 0.82-0.84 dis |
| 12 months | 3.05-3.70 dis | 3.60-3.68 dis |

£ forward rates are quoted in U.S. cents discount.

### THE POUND SPOT AND FORWARD

### THE DOLLAR SPOT AND FORWARD

### OTHER CURRENCIES

### CURRENCY RATES

### CURRENCY MOVEMENTS

### EXCHANGE CROSS RATES

### EURO-CURRENCY INTEREST RATES (Market closing rates)

## FINANCIAL FUTURES

# Many setbacks

It was a depressing day for prices on the London International Financial Futures Exchange yesterday, with gilt futures hard hit for a variety of reasons. Cash gilts opened very weak following the pound's fall to a record low in New York overnight; the breakdown of the talks between the National Coal Board and the National Union of Mineworkers; a fall in U.S. bond prices; and concern about the Chancellor of the Exchequer's comments in his speech to the Confederation of British Industry annual dinner about strong growth in the Public Sector Borrowing Requirement in coming months. This led to an almost complete lack of confidence amid suggestions that UK interest rates will be forced to rise again, and that the Government broker will have to cut the tap stock price to attract any buying interest.

As prices of long-dated stocks fell by over £2 in the cash market June delivery gilt futures closed at 101-15, near the day's low of 101-14, after opening at 102-24, compared with the previous close of 103-12. The market suffered from a procession of setbacks during the day and was particularly depressed as the U.S. bond market opened weak once again on rumours about further liquidity problems in the U.S. banking system. Stocks of two major banks, Manufacturers Hanover Trust Company and Chase Manhattan Corporation fell sharply at the New York opening, and confidence was not restored by denials of any funding problems.

Eurodollars also lost ground on Liffe, reflecting the general loss of confidence. The September contract closed at 86.90, only just above the low of 86.89, compared with Wednesday's close of 87.32, and yesterday's opening of 87.12.

### LONDON

THREE-MONTH EURODOLLAR $1m points of 100%

| | Close | High | Low | Prev |
|---|---|---|---|---|
| June | 88.20 | 88.26 | 88.16 | 88.28 |
| Sept | 86.90 | 87.14 | 86.89 | 87.32 |
| Dec | 86.31 | 86.62 | 86.31 | 86.82 |
| March | 85.92 | 86.23 | 85.92 | 86.45 |
| June | 85.62 | 85.93 | 85.62 | 86.14 |

Volume 0,910 (4,015)
Previous day's open int 14,567 (14,115)

FT-SE 100 INDEX £25 per full index point

| | Close | High | Low | Prev |
|---|---|---|---|---|
| June | 104.35 | 105.35 | 100.60 | 105.35 |
| Sept | 103.35 | 104.50 | 102.70 | 104.90 |
| Dec | 104.90 | 105.00 | 103.70 | 105.10 |

Volume 1,181 (1,065)
Previous day's open int 962 (806)

### CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%



# WORLD VALUE OF THE DOLLAR

Bank of America NT & SA, Economics Department, London

## MONEY MARKETS

# UK rates firm in nervous trading

UK interest rates were marked sharply firmer in London yesterday. The market became unsettled on developments in the U.S. amid rumours of another major bank experiencing financial difficulties. A strong sell off in the UK gilt markets also led to fears of higher interest rates as a way of servicing Government debt. There was also a fear that the Government may experience difficulties in adhering to PSBR targets for this year, prompting Mr Nigel Lawson, Chancellor of the Exchequer, to re-emphasise the Government's confidence in achieving a monetary growth rate commensurate with previously published targets.

UK clearing banks' base lending rate 9.9¼ per cent (since May 10 and 11)

Three-month eligible bank bills were bid at 9⅛ per cent up from 8⅞ per cent and three-month interbank money finished at 9⅝-9½ per cent compared with 9⅜ per cent. Starting rates for today were quoted at 9½ per cent however. Overnight interbank money touched 8 per cent and fell as low as 1 per cent.

The Bank forecast a shortage of around £360m with factors affecting the market including maturing assistance and a take up of Treasury bills which together drained £236m and Exchequer transactions a further £30m. In addition banks brought forward balances £45m below target and there was a rise in the note circulation of £30m.

The forecast was later revised to a shortage of around £400m and the Bank gave assistance in the morning of £335m, comprising purchases of £20m of eligible bank bills in band 2 (34-61 days) at 8⅞ per cent and in band 4 (64-91 days) £60m of local authority bills and £255m of eligible bank bills all at 8⅞ per cent. The forecast was again revised, this time back to £350m before taking into account the morning help and the Bank provided further funds in the afternoon through purchases of £44m of eligible bank bills in band 4 at 8⅞ per cent. It also provided a late round of assistance of £35m, making a total of £414m.

In Frankfurt call money was unchanged at 5.5-5.55 per cent. The Bundesbank added a small amount of funds to the market in order to maintain current liquidity levels. Banks had been increasing their reserves earlier than usual at the beginning of May on fears of a rise in the Lombard rate. This did not occur however but there is likely to be a strong demand for funds towards the month end. Call money rates may well increase as banks use up their Lombard quota. In addition banks have been running down their excess of reserve holdings during the past few days.

### MONEY RATES

### LONDON MONEY RATES

### FT LONDON INTERBANK FIXING

LONDON INTERBANK FIXING
(11.00 a.m. May 24)
3 months U.S. dollars

bid 11 11/16 offer 11 13/16

6 months U.S. dollars

bid 12 1/16 offer 12 7/16

The fixing rates are the arithmetic means, rounded to the nearest one sixteenth, of the bid and offered rates

# FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for May 24.

U.S. DOLLAR STRAIGHTS — DEUTSCHE MARK STRAIGHTS — SWISS FRANC STRAIGHTS — YEN STRAIGHTS — OTHER STRAIGHTS — FLOATING RATE NOTES — CONVERTIBLE BONDS

[illegible]

* No information available—previous day's price.
† Only one market maker supplied a price.

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# CAPITAL MARKETS

EUROBONDS

## Good reception for three new issues

BY MARY ANN SIEGHART IN LONDON

DESPITE falls in both the Eurodollar and U.S. Treasury bond markets, three new Eurodollar issues launched yesterday were well received.

The Rockefeller Group, the private U.S. company involved in real estate and communications, is raising $100m through a five-year bond with a 13¼ per cent coupon at a price of 99¾. The issue is guaranteed by both the Rockefeller Group itself and a surety bond from Aetna Life & Casualty, the U.S. insurance company. Lead manager is Morgan Guaranty.

A combination of the bond's triple-A rating, short maturity and popular name ensured that it sold within its selling concession. At its best, the discount was only ⅝ per cent, but by the end of the day, it had widened to 1 point.

Kleinwort Benson, the UK merchant bank, launched a $150m floating rate note, $100m of which will be offered now and the balance between September of this year and September 1985 at Kleinwort's discretion.

Led by Credit Suisse First Boston with the borrower, the note has a 12¼-year life and pays ¼ per cent over the mean of the six-month London interbank offered rate (Libor) at par. Front-end fees are 0.55 per cent, which gives a straight line all-in cost of about 0.17 per cent over Libor. Because of the strange maturity, the first payment will be after three months and will be the same spread over three-month Libor. The bond traded at a 0.35 per cent discount, well within its fees.

Hydro Quebec reopened the Canadian dollar primary market after nearly two months of inactivity. It is raising C$50m through a seven-year bond with a 14 per cent coupon at par. The issue is led by Merrill Lynch and encountered reasonable demand at a 1½ point discount.

The Bank of Tokyo has decided not to tap the dollar fixed-rate market until next week at the earliest, barring a significant rally.

The dollar secondary market was quiet yesterday, with prices closing about ¼ point down on the day.

Swiss franc and D-Mark secondary markets were also very quiet, with prices closing unchanged to slightly down in both sectors.

| BHF Bank bond average | | |
|---|---|---|
| May 24 98.973 | | Previous 99.016 |
| High 100.009 | 1983-84 | Low 98.058 |



# OVER-THE-COUNTER

Continued from Page 34

[illegible]

| Stock | Sales (Hnds) | High | Low | Last | Chng |
|---|---|---|---|---|---|
| Xebec s | 386 | 10 | 9 | 9½ | −½ |
| Xicor | 381 | 12⅞ | 11¾ | 11¾ | −⅝ |
| Xidex s | 1154 | 15¾ | 15 | 15⅛ | −⅝ |
| YlowFt .52 | 123 | 25¼ | 25 | 25⅛ | +⅛ |
| ZenLbB | 67 | 17 | 16⅞ | 16⅞ | |
| Zentec | 20 | 5½ | 5 | 5 | |
| Ziegler .44a | 14 | 10¾ | 10¼ | 10¼ | −⅛ |
| Zymd | 7 | 10¾ | 10¼ | 10¾ | |
| Zondvn .30 | 19 | 12⅝ | 12¼ | 12⅝ | +⅛ |
| Zymos | 35 | 3⅞ | 3¾ | 3⅞ | |
| Zytrex | 1387 | 5½ | 5⅛ | 5⅛ | −⅛ |

**WEEKLY U.S. BOND YIELDS (%)**

| | May 23 | May 16 | 1984 High | 1984 Low |
|---|---|---|---|---|
| Composite Corp. AA | 13.95 | 13.90 | 13.95 | 12.18 |
| Government: | | | | |
| Long-term | 13.40 | 13.33 | 13.40 | 11.51 |
| Intermediate | 13.27 | 13.22 | 13.27 | 11.33 |
| Short-term | 12.71 | 12.60 | 12.71 | 10.70 |
| Municipal | n.a. | 10.45 | 10.95 | 9.48 |
| Industrials AAA | 13.38 | 13.36 | 13.38 | 11.70 |
| Industrials AA | 13.74 | 13.76 | 13.74 | 12.02 |
| Utilities AA | 14.15 | 14.04 | 14.15 | 12.53 |
| Preferred Stocks | 11.77 | 11.82 | 11.78 | 11.07 |

Source: Standard & Poor's







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